House of Commons
Work and Pensions Committee

Benefits Simplification

Seventh Report of Session 2006–07

Volume II

Oral and written evidence

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The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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Q1 Chairman: Welcome to this, the first evidence session in our Benefits Simplification inquiry. Good morning to our witnesses. It is good to have you with us and you are very welcome. Perhaps I can kick off, just to ask how you yourselves would define the different types of complexity that we have in the benefits system. A nice easy one! Ms Royston: I am concerned with complexity for the customer, complexity for the customer is about how the system as a whole works: somebody comes to the benefits system, not to claim a particular benefit but because they have hit a crisis; they need financial help. I therefore think that it is very important to look at how the system as a whole works. I think that it is important to simplify individual benefits, but it is much more important, from the customer’s point of view, to look at the system as a whole and look at simplifying that.

Ms Bennett: In the evidence we sent in, we were arguing that it is very difficult to define complexity. In its conclusions, the Public Accounts Committee suggested various ways, but it really concluded the same as a lot of witnesses, namely what Sue has just said: that it is the impact on the claimant that matters and that is what you should be measuring. In our evidence we widened that to talk about the costs of compliance more generally. In other words, what benefit claimants have to do to claim benefits, maintain their claim, and come off their claim at the end of the time. We argued that the Committee’s interest should be in the outcomes for claimants rather than complexity as an issue in itself, or simplification as an issue in itself. You should therefore look at outcomes instead of just complexity.

Mr Hirsch: I would agree with what has just been said. I would also add that I think there is an important distinction between having a complex set of rules that affect an individual at any one point in time and the degree to which the system as a whole has many different facets. Those are not always the same. On the other hand, I think that there is an overlap. We have a system which has so many bits to it that it is very hard to see it as becoming clear to claimants if you do not simplify it as a structure.

Q2 Chairman: Bearing in mind that, almost inevitably, you are dealing with complex lifestyles and vastly differing individual circumstances, is there an inevitability that there will be complexity in the rules to accommodate those massively different individual circumstances?

Ms Bennett: To some extent that is true, but quite often it can be used as an excuse. Quite often, complexity is actually about excluding people from entitlement rather than trying to meet complex needs. There was quite wide agreement, certainly in the evidence I have seen for example, that means testing, including joint assessment and the declaration of changes in circumstances and income, is quite a key element in complexity. Of course, that is more about excluding people and targeting on fewer people than it is about meeting a huge range of complex needs.

Ms Royston: I think it is inevitable that there will be some complexity, but a lot of complexity could be masked by better delivery for the customer. In terms of an affordable way to tackle complexity, masking complexity is very important—delivering a system which is easy to use. I could give you a couple of examples.

Q3 Chairman: Feel free.

Ms Royston: The interaction between benefits can change entitlement in ways customers could not possibly be expected to understand. A client at a CAB local to us came in. He had serious mental health problems and he came in because of debt problems. When the debt worker looked at his benefits, they found that he had been on Incapacity Benefit for some time. He has an age addition and so, when he had applied for Incapacity Benefit, he was quite rightly told that he was not entitled to Income Support because his income was higher than the Income Support level. He had understood that. His community psychiatric nurse suggested last September that he applied for DLA and helped him complete the DLA form. DLA was awarded and backdated. Nobody told him about Income Support. How could he possibly be expected to know that, because the system had given him more money in the form of DLA, he was now entitled to a means-tested benefit that he had not been entitled to before? Customers cannot possibly understand that degree of complexity. Some sort of masking of
that is therefore essential so customers don’t have to understand about protective claims to get their correct entitlement. Often, customers are also entitled to multiple benefits. At another CAB, a lone parent was referred about DLA. She again had mental health problems going back some time. When the adviser who was seeing her did a benefit check, she discovered that her partner had left her a little while before. She had rung the contact centre. The contact centre had focussed the fact that her partner had left, and she had been awarded her Income Support, but it had not gone any further than that. She should have been entitled to the disability premium because she had been ill for some time. The CAB therefore got her the disability premium and also DLA. In further questioning they also discovered that she had a seven-year-old child who, two and a half years ago, had had a car accident and had suffered significant brain damage, which had caused development problems, and who obviously had care needs. Again, nobody had ever told her about DLA for the child. In this whole system of multiple benefits so much gets missed. We see so many clients who, in one way or another, miss out on parts of the system. One way in which you could look at measuring complexity would be to have, in a sense, a whole basket of customer journeys, starting with straightforward journeys like a partner leaving; but also dealing with more complex journeys, like the two I have just mentioned. These journeys would be examined to measure all sorts of things like how easy was it for the person to find out about benefits? Do benefits get missed? How many contacts does the person have to make in order to claim the benefit? How easy is it to report a change of circumstances? Do they have to go to lots of places? Can they just report it once? Is the information shared better, so that different departments find out about any changes? Do they have a way of finding out about new entitlement? I think that basket of customer journeys could be one possible way for complexity to be measured.

Mr Hirsch: You asked about the multiplicity of need. I think that does raise an issue about how in this country we have tried to cater very precisely for specific needs, perhaps to a greater degree than in other countries and maybe to a greater degree than we necessarily have to. In other words, do we want to try to make sure that everybody gets something that precisely matches their circumstances or are we willing to be a bit more rough and ready? The two ways in which we perhaps have started to accept a more rough-and-ready approach, but through a slightly more generous approach, have been through, for example, the raising of the disregard for in-year income on tax credits, which has now been raised to £25,000. The changes in the Housing Benefit system which have meant a move towards allowances—rather than something which is a flat-rate allowance for your area, rather than changes, in a very sensitive way, with your rent—also involved an extra amount of generosity, because it had to be set more towards the upper limit of the average. I think it does raise an issue that is a basic problem for our system, which is that it has been rather mean in terms of the basic income that people get; therefore, we have tended to say, “You can’t leave people high and dry. You have to cater for every little bit”. If we made it less mean, I think that we would find it easier in not having to look at everybody’s individual, specific situation. However, there will always be some trade-off between sensitivity and complexity.

Q4 Chairman: You mention this concept of “compliance costs” for the claimant. How would you measure that?

Ms Bennett: I think that it is very similar to what Sue was talking about just now. What the Government does already, which you can see in its simplification plan, is to measure the cost of compliance for business. The way it does that is in terms of the time it takes business to fulfil the various regulations. That is part of a Regulatory Impact Assessment. What we are suggesting is that the Government should work its way towards doing that for claimants in the kind of way that Sue was talking about. There is literature on the costs of compliance for paying tax, which talks about how much time it takes you to go through the various procedures to pay your tax, how much you have to pay your accountant to help you to minimise your tax, and that kind of thing. The very clear feature in the simplification plan is that that kind of calculation is made in terms of regulation on business, but it is not made in terms of the impact on claimants of changes to benefits and tax credits. I am not suggesting that it is easy, but we are suggesting that the Government should have as much commitment towards doing that kind of calculation as it should towards doing it for business, which it does already.

Q5 Chairman: Would that be purely time cost-based, or could you have an account of, say, anxiety and stress for claimants?

Ms Bennett: Absolutely. We would argue that that is very important. It is obviously more difficult than just time. There are some ways in which that kind of calculation is done by looking at the tipping point for take-up of benefits, if you like. In other words, some of the take-up literature has looked at the point at which people seem to have decided that the hassle of claiming is not worth the £5 a week, or whatever it is extra they would get. That is one way of trying to calculate it, and there are other ways in the literature as well. I do not think that it is easy, but it would be important to include the kind of impact on the dignity and privacy of claimants if we can, as well as on the time that it takes them and the literal journeys they have to make to-and-fro, to maintain their claim.

Q6 Miss Begg: I have some questions on the progress that the DWP has made to date, but could I ask this, and I suppose it is really to the academics? We have talked about benefits simplification or complexity in terms of the client’s perspective. Do you know if anyone has done any work on the perspective of the effect of complexity on the general population? I ask that question as someone who obviously has been doing a lot of canvassing over the election, but also
as an MP. I constantly get phone calls into my office from people who think that the benefits system is grossly unfair, because they are the ones who are outside. Those who think that the poorest get everything—because very often there are passported benefits and, once you start a passport of benefit, a range of things open out—and they get nothing. They feel quite a lot of resentment that the benefits system works for certain groups of individuals but not them. Is there a perspective of the importance of making benefits transparent and understandable to the general population, in order that they accept the fact that their taxes are the ones which go off to pay for most of the benefits in the first place? Is that something that anyone has looked at?

**Mr Hirsch:** The Joseph Rowntree Foundation has been doing work on public attitudes, public interest in poverty issues, and found that it does generally tend to confirm your view: that partly people are often misinformed and partly that they do have a very negative view of the system.

**Q7 Miss Begg:** Has Joseph Rowntree come up with any suggestions regarding government? Inevitably, any government of any political colour will want to make sure that people are not living in poverty. I do not believe that any government would not want that. If there is a real perception problem amongst the general population, how does government solve that, especially as it is the general population’s taxes that inevitably pay for that benefit in the first place?

**Mr Hirsch:** We do not have a magic solution, except that certainly a first step is to make the facts about poverty clearer. With the benefits system, I think that is harder but, if people were clearer about what it meant to live on the sort of income that people are getting benefits to support, then that would be a first step.

**Ms Bennett:** I am not sure that the key issue in public perceptions is complexity, in terms of what you are talking about. It is much more to do with the kinds of things Donald has talked about, in terms of what tends to be a punitive attitude in the UK compared with other countries towards the so-called “undeserving poor”. I think that is probably at the root of it. Countries which have benefits systems which are based more on universal entitlement and more on benefits which are for categories of people rather than just for poor people, seem to have public attitudes which are more sympathetic towards people in poverty. It is actually about the structure of the benefits system. It has a relationship with complexity, because you can have a simpler benefits system if it is not so targeted on certain groups.

**Ms Royston:** There is certainly a perception that people get a lot more money on benefits than they actually get.

**Q8 Miss Begg:** Yes, and they tell me that I am lying when I tell them what the real benefits are. They do not believe it. They simply do not believe me and they think that I am a politician who is lying through my teeth.

**Ms Royston:** So making people more aware of just how low the benefit levels are would certainly be something.

**Q9 Miss Begg:** The questions I have are about the progress made by the DWP. The Benefits Simplification Unit has been set up, and you served on it for some time. How well has it done in its first year of operation? Is it doing what it says on the tin?

**Ms Royston:** I very much enjoyed being there. On a personal level, they were very nice to me, facilitated my time there and did everything they could to help me. I think that there is enormous progress being made on simplification in some ways. The change in capital rules on Income Support and Jobseeker’s Allowance, income-based, in line with Housing Benefit and Council Tax Benefit was a very big thing for clients. The two different capital levels caused problems. In this year’s Budget package, I think that the final earnings one is a great help. That again will be extremely useful. However, perhaps I could give you an example of something that made it clear to me, while I was there, of an important difference in perception between the customer and the DWP. I was looking at an aspect of ESA. Those people who do not have contributions and who will be on ESA income-based will get passporting in the same way as those on Income Support now. Those people on ESA, if they have contributions—even if they do not have any other income or any other savings—will not be offered a means test as it is at present, and so would not get passported through to other benefits. On a day-by-day level, we see that that makes a huge difference to those on IB just above IS. If you are on that level of income, health costs are an enormous problem. It is difficult to find out how to apply. They would be able to sit the means test but they would have to find out where to get the form from; they would have to have a separate means test for Housing Benefit and Council Tax Benefit. I did a survey on the Internet, and there were dozens—you were talking about people complaining—of things that you are passported through to, down to the fact that in some LAs if you have rats in your house it costs £45 normally to get rid of them but £16 if you are on Income Support. There are a huge number of things. I brought up the problems this would cause customers on ESA (CB) separately with lots of people in the DWP, and their reaction was, “Yes, I can see why you are saying it’s unfair”. I was suggesting, “Could you not offer a means test to people on ESA who have got the contributions, and then they would have a marker on their system saying that they were passported through?”. When I suggested this, they said they could see there was an argument about fairness but, “ . . . you’re in the Simplification Unit. This isn’t simplification. You’re suggesting complicating ESA”. The expertise in the Department is set up on a single benefit base and so the tendency is to look at simplifying and aligning individual benefits. From the customer’s point of view, this proposal would be a huge simplification of the system. Also, the message it would otherwise give—that, because you have worked, you do not get all of these, even though you are on the same
income—is a dreadful message. Apart from the fairness, however, it would be a huge simplification for those customers, who would otherwise have to go out separately and apply for all these separate means tests. I therefore think that there is an issue that the expertise in the Department is very much in the separate benefits and, if they are going to simplify the system, there needs to be more expertise that is spread across the system.

Q10 Miss Begg: I understand that the Department’s senior management now get quarterly reports on changes to the benefits system and their effects on complexity. Do you know anything about those reports?

Ms Royston: Not really, no.

Q11 Miss Begg: We were told that the Department’s senior management team received quarterly reports on changes to the benefits system and their effects on complexity. Do you know anything about those reports?

Ms Royston: I am sorry?

Q12 Miss Begg: So you do not know how detailed they are?

Ms Royston: Obviously there are people within the Department who look across the system. Furthermore, there are even fewer people who are aware of all the benefits the customer is looking at,—tax credits, health costs, free school meals etc. From the customer’s point of view, they are looking at the package of help. Once you get cross-departments, there is even less expertise within DWP about those separate units.

Ms Bennett: Could I give an example of the danger of not looking holistically, and also perhaps the danger of what we used to call at the Child Poverty Action Group “the administrative imperative”; in other words, doing things because it is simpler administratively, without looking at the whole picture from the claimant’s perspective, as Sue says. One is the Government saying, in the documentation on simplification that it has recently put out, that the abolition of adult dependants’ additions in Carer’s Allowance, Incapacity Benefit through ESA, and the pension, will mean that there is consistency and simplification across those non means-tested benefits for couples. That may very well be the case, but I wonder how many of those couples will have to go on to means-tested benefits because they now have fewer non means-tested benefits coming in, because of the abolition of the dependants’ addition. Overall, if that is the case, that will mean a much more complex life for them than it was originally. It is therefore very important to look, in a policy sense, across the whole picture and not just at consistency within one particular bit of the benefits system.

Q13 Miss Begg: Do you have any hope or expectation that the Benefits Simplification Unit is able to do that job?

Ms Bennett: I wonder whether it is. The Public Accounts Committee, in its report on the complexity of the benefits system, said that it will have to have sufficient influence to be able to make simplification work. Sue is the person to ask about this, but I think that the policy simplification probably has to be done at a different level from the Simplification Unit.

Ms Royston: Obviously there are useful things being set in place, like each submission to ministers having to include a paragraph explaining how it simplifies or, if it cannot simplify, why it cannot simplify—and I think that is useful. However, I think that it will take time to have an effect and, as I say, I think that it is hidebound by the fact that they are working with people who are working in individual benefits.

Q14 Miss Begg: The unit does not cover pension benefits.

Ms Royston: No, it is working age.

Q15 Miss Begg: Is that a problem? Should it really be looking at all benefits across the full age range and for all types of claimants?

Ms Royston: I think that the greatest complexity is in the working age benefits, because working-age customers tend to have more complex lives. I am not saying that pensions should not be looked at, but I do think that there is more complexity at the moment in the working age benefits.

Q16 Miss Begg: The DWP Simplification Guide included a new requirement that non pension-related submissions that recommend policy or operational changes to benefits must be referred to the unit before they are submitted to Ministers. I think that you have just made reference to that. Are you aware of measures being changed because of the intervention of the Benefits Simplification Unit, and has the impact of the Simplification Guide been assessed?

Ms Royston: I think that it has. You would have to ask the Simplification Unit for exact numbers but, just from sitting there, I was aware that from time-to-time things were changed. However, I could not comment on exactly what measures were changed.

Ms Bennett: Looking at the Regulatory Impact Assessment for the Welfare Reform Bill, for example, I think that it is very important to make sure that the Regulatory Impact Assessments are evidence-based. It is a very committed Regulatory Impact Assessment—put it that way—in terms of the Government’s objectives, and it is absolutely crucial that if that is going to be the way that we look at the cost of complexity, and the cost of compliance more generally for claimants, it has to be evidence-based and, as you say, it has to result in policy change if it comes up with something which is disadvantageous.

Q17 Miss Begg: The memorandum submitted to us by the DWP for this inquiry said that the measures announced in the 2007 Budget were “a very major
set of simplification changes”. Are they, and did the Simplification Unit have anything to do with the proposing of these changes?

**Ms Royston:** If you are looking at the mountain they have to climb, then they have not got up the mountain by any means! I do think that alignment is important; but, in terms of the overall system, I do not think that they are anywhere near there yet. I do think that the final earnings recommendation was a very important one and it will help enormously. There are lots more alignments to happen, but that is one that will help. The sub-tenant one is good. It will not affect a lot of people. For the people it affects it will be helpful. I think there are some good things but I also have some misgivings about the fortnightly payday measure. I am slightly worried about the matter of being paid fortnightly instead of weekly, and budgeting. On the other hand, there is some simplification. One that I do have reservations about is the Attendance Allowance/Disability Living Allowance measure. It is a simplification, in that it was a nonsense, having some clients getting six weeks backdated and some getting none. I have a problem with it as an adviser, in that I think that it may put pressure on advice agencies. By the time clients come to us, they will be most of the way through the two weeks. A DLA form is very complicated; it takes two to three hours to complete. Volunteers will be under pressure; the client will be there, saying that they need the form filled in there and then. I think that it will be unfair on advice agencies. I can see a lot more appeals coming, because I can see clients going away and saying, “They can’t give me an appointment until next week. I’m going to lose out”. They will fill in the form themselves. In very simple, straightforward circumstances, the client obviously may well get it. However, there is a lot of evidence that, for people with complex conditions—certainly DLA forms for children—there are many situations where, if they do not get the help of professionals to fill in the form they will not get the right level of benefit and, as a result, there will be an appeal. I do think that the two-week backdating is exactly the wrong amount of time. I am very worried about it. I think that it has huge implications for advice agencies.

**Q18 Chairman:** What percentage of claims for Disability Living Allowance is made through advisers?

**Ms Royston:** I should know the answer to that. I do not know. I think that it is a very high number. I do know that people are much more likely to get DLA at the right level if they have an adviser completing the form. I could certainly talk about that and the problems with DLA forms, because—

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1 The part of the answer referring to the measure about the backdating of AA/DLA was based on a misunderstanding about what the measure would entail. Customers would not lose all their backdating if they took more than two weeks to complete the form. However those who had to wait several weeks for help to do so would be disadvantaged as backdating would be limited to two weeks.

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**Q19 Chairman:** I do not want you to! I think you will find that probably over 90% of DLA claims are made by individuals without assistance from a professional adviser—I would just make that point—and they succeed.

**Ms Royston:** I think that only about half of DLA claims succeed.

**Q20 Chairman:** But there are still around four million getting the benefit; so four million people have succeeded. Just because they fail, it does not mean to say that they are entitled.

**Ms Royston:** No, it does not mean to say that they are entitled, but there must be some who are.

**Q21 Miss Begg:** The final question I have is about cross-government measures, and whether there is enough being done across departments. I think you have said that there are problems within the Department; that you have specialists in the different benefits but nobody looking strategically across the whole range of benefits. Is that problem exacerbated by the fact that now we have HMRC effectively paying benefits, or things like tax credits?

We know that it is a frustration of this Committee that the tax credit system is outwith our remit, but at the same time it does impact on the benefits that people are able to pay as well. So what is the effect of it, what should be the solution to it, and how can the Government tackle it?

**Ms Bennett:** It is absolutely essential that the interaction between benefits and tax credits, and the interaction between benefits and child support, for example, are tackled. You can only do that in a cross-government way. The fact that your remit is limited to exclude tax credits, and the same officially with the Social Security Advisory Committee—I know that there is a memorandum of understanding—is a real drawback for the holistic examination of both policy and administrative simplification. It may be that the research which the DWP is suggesting, which is a result of its Capability Review—the insight perspective, so that they are asking claimants more about their preferences and behaviours—is a way in to looking at things more holistically than has been done in the past; but it is certainly essential, I think.

**Mr Hirsch:** This issue has become more important since 2003, particularly for people with children and who are outside work, because they are now getting some of their income through tax credits. To them it looks like a benefit, and it is part of an income which also includes benefits on the adult side, Income Support side. It has replaced something which was provided through Income Support. It seems to me that—whether it is for individuals, government departments or parliamentary committees—it is just a complete nonsense to draw that distinction.

**Ms Royston:** There are a number of things that could be done—areas in which HMRC could work with DWP to align benefits and Tax Credits. In the long term, there has to be a simpler solution. It is just too complicated. There are a lot of things that could be worked on, however. Can I give you four different examples of—
Q22 Chairman: No! You can give us one. 
Ms Royston: Looking at someone who has a tax credit overpayment and they have been paid Housing Benefit and Council Tax Benefit, if they have been overpaid £1,000 tax credits, the Housing Benefit and Council Tax Benefit will have clawed back—because they will have seen that as income coming in—£850 of that. The person will therefore have had only £150 more than they should. If something happens and the tax credit is recovered—if, for instance, it is a lone parent and the tax overpayment is discovered when she becomes ill and has to go back on to Income Support, and she is getting full Housing Benefit and full Council Tax Benefit then—HMRC will have to claw back £1,000. She will not get anything extra from Housing Benefit and Council Tax Benefit. So a lone parent, going back on Income Support because she is ill, will pay back £850 more than she actually was paid. I do not think that situation can possibly exist. That is so unfair—that somebody is actually paying back more money than they have gained from the system. There are a number of other ways customers can lose out. People can lose Housing Benefit and Council Tax Benefit because of the way childcare costs are paid. We did a calculation using fairly average figures for someone on a low income—the figures we used gave £1,600 Housing Benefit and Council Tax Benefit for the year. However, given the way childcare is paid—and the non-alignment between tax credit and Housing Benefit—if you calculate what she actually gets, it is only £1,100.

Q23 Miss Begg: Is that basically a problem because the two sides of that do not speak to one another or are unable to, because of the way government departments and local government—
Ms Royston: I have seen that obviously there are some people speaking to one another. There are some meetings; but there needs to be much more committed engagement between the two sides, because there are so many anomalies that clients get caught in the middle of.

Q24 Miss Begg: Are these anomalies being addressed at the moment, as far as you are aware?
Ms Royston: I think the DWP is trying, but I do think that the Government needs to look at them urgently. Everyone wants those who are able to go back to work to return to work but, for people caught in messes like this, it does significantly affect their lives.

Q25 Mrs Humble: In answer to questions from the Chairman, you identified that one of the key issues for benefits simplification is not actually simplifying benefits but simplifying the experience of the claimant. I want to explore that a little further with you. We have had a lot of changes in the way that benefits are delivered, in increasingly going over to contact centres. Do you think that increased use of contact centres and telephony, rather than face-to-face, helps or hinders the process of trying to improve the experience of the claimant?

Ms Royston: I think that it is very much that one size does not fit all. There are a lot of claimants for whom the contact centre is better; it is easier for them; it is a straightforward process, and they prefer doing the claim by telephone. However, there is a significant minority for whom it is not better; they find it impossible to make the telephone call. A client with mental health problems, for instance—his mother had found out that he had to make the call. He found long phone calls very difficult; he kept putting it off and putting it off, until his mum had to take time off work to actually sit with him. Perhaps if the alternatives were advertised and, when she had asked, she had been told, “If there’s a problem, you can make a claim an alternate way. You can make a claim by phone; you can make a claim on a form”—or, if that is not possible for some people, a home visit would be necessary—I think it is important that there are alternatives. For most people, telephone is fine; but it is important that alternatives are there and, what is more, that the alternatives are advertised, so that people do not put off claiming because they think that there is only one method.

Q26 Mrs Humble: Can I explore further those two different ways of claiming? One of the advantages of telephony for Pension Credit is that, although the calculations to determine eligibility to Pension Credit can be complex, the individuals telephoning the Pensions Agency are just given information; they do not have to do the calculation. Somebody at the other end is doing the calculation and so ordinarily, from the claimant’s point of view, it is a fairly simple process, so long as they have all the necessary information available to give to the officer at the other end. You mentioned earlier that the lives of many pensioners are less complex than those of people of working age. Is there a way of improving the script that operatives follow for working-age benefit claimants, so that they can take into account that wider complexity and deliver an improved service to those claimants?

Ms Royston: I think the answer is that, in the long term, an expert is needed at the front of the process. At the moment, the person at the contact centre deliberately has no expertise in benefits whatever. You need an expert at the front of the process, together with an expert computer system. However, the script could be a lot simpler if they had someone who understood the system but also had the script or a benefit calculator as a back-up. The combination of the two would make a big difference. For me, one of the big things the Department could offer is a benefit check, so that—like the example I gave at the beginning—all the benefits that the person was entitled to receive would be seen at the beginning.

Q27 Mrs Humble: The other aspect you were talking about was more face-to-face contact.

Ms Royston: Yes.

Q28 Mrs Humble: And/or fill in a form.

Ms Royston: Yes.
Q29 Mrs Humble: However, we have seen a reduction in the opportunity for face-to-face contact, fewer outreach services and, in fact, often the CAB or local authority welfare organisations offering more of that sort of service. Is it just that it is not advertised or is it that, even if people do know about it, they do not get those face-to-face services?

Ms Royston: They do not get those face-to-face services. For instance, the Pension Service does offer a face-to-face service for those people who feel they cannot cope with the telephone. If working age benefits had something similar for people who genuinely could not cope with the telephone, there would be an opportunity to work with partner organisations like Citizen's Advice and perhaps offer some face-to-face interviews through CABs.

Q30 Mrs Humble: Can I move on and ask a question about the complexity of the system? You mentioned earlier that there are complexities in the system that also impact upon claimants. Where can we have a balance between making sure that the claim forms, or the process of claiming, ask all the necessary questions and that there is sufficient verification within the system to ensure that people are claiming correctly and reporting circumstances as necessary? Also, on the other hand, looking at reducing that complexity as part of the process but knowing that it will then be a blunter service, which may not deal with the complexities of individuals’ lives — and also may leave the Department open to greater fraud. How can we balance that system?

Ms Royston: For instance, one point of contact for a change of circumstances would make claimants’ lives much easier but it would also stop overpayments. Someone came into a CAB. Somehow the benefits system had registered incorrectly that their child was no longer there; and, as a result, all their benefits had stopped. It took the adviser three hours to report to five different benefits to get their benefits back into payment. That was with all our contact numbers and our knowing exactly where to go and who to reach. It would have been impossible for the claimant to do that on his own, and yet all his benefits had stopped. If there was one point of contact, it would make it much simpler for the claimant but it would also stop overpayments. It is where somebody reports, “I have done some extra work” to one department and then thinks that that goes through, but it does not get passed on. I think that it would therefore help in both ways. That is just another of the ways in which the complexity could be masked. From all the disability groups and the welfare rights groups I have talked to, the sharing of information was a huge request. It probably came top of the list.

Q31 Mrs Humble: The irony, of course, is that most claimants think that information is actually shared and do not realise that they have to knock on several doors.

Ms Royston: Yes, absolutely.

Ms Bennett: I absolutely agree with Sue, but it is also about the design of benefits and tax credits to begin with, is it not, and how much you do have to report changes in circumstances? Some benefits which are jointly assessed, i.e. means-tested, for couples in particular, mean a much greater burden of changes of circumstances because it is both members of the couple; whereas if you have your individual entitlement to benefit and your partner’s income and circumstances do not affect that, then it cuts out a whole area of reporting of changes of circumstances to begin with and you do not have to report changes of circumstances in terms of whether you are a couple or not, for example. It is very much to do with the design of benefits. There was a big debate, led by the Rowntree Foundation when the tax credits came in in 2003, about exactly the question you have posed: to what extent benefits and tax credits— in that case tax credits—should be responsive to changes in circumstances, and to what extent they should give a rate which did not vary and which gave some stability. What I would probably draw from the experience of the last few years is that claimants value greatly security and stability of income. In particular, claimants with children do not want to put their children at risk of benefit changing or being withdrawn. Particularly in terms of housing, the stability of Housing Benefit is absolutely critical. I think that we need to take that quite seriously. We may have undervalued, for example, the advantages of the six-months’ unchanging amount which was given under the old Working Families Tax Credit and Family Credit systems. It used to be a year under Family Income Supplement. It obviously has its disadvantages, because if your needs increased while that was being paid you did not get any more income; although they changed it more recently, to say that if you had an extra baby you would get more during that six months. It meant that that Working Families Tax Credit or Family Credit operated like a non means-tested benefit for six months, and it gave claimants a secure income, with a floor to build on. It is possible that we have tried to mirror that by making the disregard in tax credits 10 times more than it was before, and I am not quite sure that that was the right way to go. We underestimated the importance of a stable income, and we underestimated the fluctuations in income of low-income people—as the research from the Centre for Analysis of Social Exclusion showed quite recently. Flexibility of benefits does not always have to mean following every change in your income immediately. Flexibility can also be gained for claimants by some security and stability of income.

Q32 Mrs Humble: I will bring you in in a minute, Donald, because a reference was made to some research that your organisation has done. Do your remarks also mirror the point that you were making earlier about differentiating between deserving and undeserving poor? The benefits system has always been constructed in such a way that those small changes have been responded to immediately, because this is money that is being given to people who are not working and who were, in the old days of Supplementary Benefit, and even now on Income Support are sometimes characterised as being undeserving poor. Whereas the tax system,
through various tax allowances and now through tax credits, is seen as giving support to people who are deserving, because they are out in the workplace. How can we get the two together and deliver a seamless service to people who may want to move from one to the other but, above all—going back to Anne Begg’s earlier questions—want to have a simple view of what is out there for them?

**Ms Bennett:** Ultimately, a lot of work has to be done on public attitudes towards people on benefit and public attitudes towards people in poverty. Whilst the Government wanted to move people on to tax credits in order to make it feel like they were part of the body of taxpayers—and I can quite understand why the Government wanted to do that—it may have meant that the people left on benefits are seen, if you like, as even more different from the population as a whole, precisely because that tax credits move has made people in work on tax credits be closer to the taxpaying population. I think that, in the end, public attitudes are the crucial thing we have to tackle if we want to do more about poverty and more about increasing the generosity of, as Donald said, what is the rather mean benefits system that we have.

**Q33 Mrs Humble:** Donald, do you want to comment on our mean benefits system, or, rather, on how our claimants are dealt with?

**Mr Hirsch:** A lot of issues have arisen. I basically agree with what Fran has said. In particular, what the experience of the last few years has shown with the new tax credits is that you cannot get rid of stigma simply by re-labelling something. To many people, trying to claim means-tested tax credits would perhaps feel as demeaning as if it were a benefit, because they are having to jump through so many hoops. At the same time, one really has to question—as I think Fran was implying—whether it was wise to introduce something which people who are fairly well-off taxpayers, particularly who are self-employed, have been used to for some time, namely having a kind of retrospective assessment within the system which has required a lot of repayments. A simpler system, from the point of view of people on low incomes who are claiming tax credits, is to have something which is not retrospective, which makes an assessment which is a once-and-for-all assessment. Indeed, the work that Fran referred to, which the Joseph Rowntree Foundation did prior to the introduction of that system, looked at different countries, including in particular Canada and Australia, which had comparable types of measures. It asked whether we should be like Canada, who make it a once-and-for-all assessment on your previous year’s income, or should we make it like Australia, where you adjust retrospectively. The answer was that there had been huge political disasters in Australia, and that we should pause about whether we introduced that system. We did introduce it, and we know what the results were. One does have to think about simplicity, in terms of not constantly having to make these adjustments—knowing where you are. I think that in retrospect we have to say that this has introduced a new type of complexity, in terms of this long-term retrospective element.

**Q34 Mrs Humble:** The logical conclusion of everything that you have been saying, if we are looking at simplifying the benefits system from the point of view of the claimant, is to have the one-stop shop: to have one place for somebody to go. Then all the government departments, everybody who provides support to individuals, can be represented there; there can be somebody offering advice. How feasible is that? Over recent years, the DWP has moved much more to a system of personal advisers, whether it is for lone parents or people with disability or people claiming JSA. How successful has that personal adviser system been, and could we build upon that, to have somebody who could put through all of this complexity for the claimant?

**Ms Royston:** Possibly. I could not give you a definitive answer on that: I am not sure of the numbers and so on. I do think that it is possible to have an expert at the front of the process. CAB volunteers, after training, have to advise with the help of a benefit calculator. It would be possible to have a shortened script plus a benefit calculator, and I do think that it would be possible to advise on more benefits from that—with the use of IT. I do think that is possible, therefore. I think that lone parent advisers are very helpful when people have them, but not everybody within the system will have access. Obviously for some people coming to the system it is very straightforward: they have been in work; they are out of work for four or five weeks; they just want JSA; they are living with their parents. It is as simple as that, and then they are back into work again. However, there are some people with very complex lives, where I think that some form of advice or information about what benefits they are entitled to is necessary.

**Q35 Mrs Humble:** “IT”, of course, is a rude word for many of us on this Committee! Seriously, however, are there any possibilities of using better information technology to help the claimant? For example, digitising material for the computer, so that you have the well-trained individual offering that advice to a claimant. Is it feasible to have that information on a computer, where they could look at the whole picture?

**Ms Royston:** The thing is that the script has to be so complicated if you have somebody who knows absolutely nothing about the benefits system. You are in fact looking at slightly less complicated IT if you have somebody who knows something about the system. I am not an IT expert. I do think that the DWP wants to move towards some of this; for instance, the idea of an entitlement record. They are moving towards something like that, and it would be very helpful. In the past when somebody came in, the claimant used to get out their order book; you would look at the order book and you would see exactly what they were on. Often now, claimants do not know what benefits they are on: there are so many and they are so confusing. That leads to problems in
all sorts of ways, in underpayments and overpayments, as a result. It would need to be an entitlement record so that the claimant could see the entire financial package they are on. CIS is part of the way already, because it has the benefits there. The DWP is working towards it, and things like that will be very helpful. If, out of that, can come one point of contact for a change of circumstances, it will make an enormous difference. If the claimant has to give the information to the system just once and that information can then be shared between the different benefits—if they change their work hours, again they give that information once and it is shared—that has advantages for both the DWP and for the customer.

Ms Bennett: Personal advisers, when they are good, have been shown in evaluation to be very much appreciated by claimants. The reason may be partly because it is the first time somebody in authority has actually been there to sit and listen to this person’s concerns. That is really important, and I think that when they show respect to claimants it is really appreciated. When the Public Accounts Committee suggested that the Government should introduce a statutory duty to advise claimants on individual entitlements, which in a sense is the kind of thing you are suggesting, the response was fairly negative; it was that it would be very resource-intensive, and advice is only based on the information volunteered by the claimant or available to staff at the time. It was not exactly welcomed, therefore. Also, I would want to re-emphasise that it is the design and the complexity of benefits themselves that is incredibly important. The number of people who will need that very resource-intensive expert help would be enormously reduced if you had, for example, less means testing, less joint assessment, and therefore fewer changes of circumstance to report. In a sense, it has come about possibly by default, possibly by design, because the increased generosity of tax credits has pushed more people off Housing Benefit and Council Tax Benefit. That in itself may be a good thing or a bad thing, but administratively it has made a lot of claimants’ lives less complex, just because they do not have to deal with, in particular, Housing Benefit as well as tax credits. There are some things you can do to certain benefits or tax credits which can, if you like, lift people out of the situation in which they need that very holistic labour intensive service from somebody.

Q36 Michael Jabez Foster: I was horrified when you said, some time ago, that it took about two or three hours to complete a form by an expert and what that cost. Have you any idea of the global cost of advice agencies? I appreciate a lot of it is volunteering work, but what does it cost?

Ms Royston: I could go away and find out.

Q37 Michael Jabez Foster: I would be interested to know, because, clearly, it does seem to suggest that if we could simplify the system it would be more manageable for the advice agencies and maybe there could even be savings in costs in terms of what is spent.

Ms Royston: Yes. It is so complicated to fill out. To give an example, if a parent has a blind child, if they go shopping and buy a dress for their daughter, that does not count as care; if they take their daughter with them to the shop and describe the dress and help her buy it because she cannot see the colours and shape and so on, then that does count as care. How can parents understand that? There are very good reasons in case-law why one counts as care and the other does not, but for a parent completing a form, it is very difficult. There is a whole welter of things they do for a child; it is almost impossible for them to know which to put on the form. Elderly people will frequently put down hoovering and shopping but will not put down that they sat up all night because they cannot get in and out of bed because there is nobody there. They do not get that help so they think that help does not count. It takes a lot of time and effort to actually get to know the person enough to get the right information out of them so that you get the right information on the form. The sort of situation where we do see the person refused is where the person has put down all this shopping, and so on, that their relatives and friends do but actually have not put down the problems they have on their own or the care needs that they did not realise count.

Ms Bennett: In the simplification plan, the DWP does recognise in one bit that reducing the cost to advisers is actually an issue as well as reducing the costs to claimants. So, there is an opening there to build on perhaps. You could put it in the sort of invest-to-save bracket. I am involved with another hat on with my local advice centre near Oxford. Advice centres are supported by charitable funds as well as by Government. It is not just government money, in fact it is often very little government money and local government quite a lot, but the increasing need for advice is being supported by charitable trusts who, you could argue, had better uses for their money than that.

Chairman: You could imagine the outcry if the Government said, “We have simplified the system; therefore the CAB does not need as much payment as it did in the old days”!

Q38 Harry Cohen: I want to ask about communications. The DWP are busy reducing the volume of leaflets, which sounds a very good thing, except, as you have said, the complexity has not gone away, it has probably become greater. There is not a reduction in the number of benefits for example. So, is it a good thing? What is your view about the reduction of leaflets in this context?

Ms Royston: I think the reduction of leaflets does help if they are geared to the right thing; because the more leaflets you have, the more complicated it is to find the right ones. You have a whole span of leaflets and it is difficult to find the right thing. Leaflets are one aspect, but leaflets are not the total answer to dealing with complexity for claimants. Not all people will find it easy to plough their way through.
Q39 Harry Cohen: Will not some of the benefits that some people will be entitled to be missed off the totality of leaflets?

Ms Royston: Yes. People have more complicated lives, and perhaps the leaflet would be going down one route and they would miss out the fact that there are other issues as well.

Q40 Harry Cohen: You are basically saying it is all very well reducing leaflets but you should not rely on them?

Ms Royston: Yes.

Q41 Harry Cohen: You have made it clear that communications to claimants are inadequate in lots of ways and it is difficult for claimants to understand. One of the factors behind that, presumably, is automatically created letters?

Ms Royston: Absolutely.

Q42 Harry Cohen: Which should, in a way, be improving things, but do you see there are serious problems with automatic letters? Can you give us a flavour of what you see the problem is?

Ms Royston: Yes, I saw a letter the other week asking the claimant for a medical certificate and it was four pages long. It was four pages long because it had been taken from a letter which had obviously been used pre automated letters, there were a number of options and the person sending the letter ticked the right box. It had gone into the computer but the letter form had not been changed. I think the DWP is working all the time on that sort of thing, but there is still progress to be made. A four page letter to ask for a medical certificate is not helpful. It also said, in the first line, “We have ticked the box that applies to you”, and then there was a cross in the box, because the computer obviously finds it easier to cross than to tick. So, yes, there is still some way to go, but I do think they are working on this.

Q43 Harry Cohen: The automatically created letter should be an advantage, in some way, in lots and lots of cases, but it needs some initiative behind it to say, if it is an advantage, we will send it out, if it is not, you have got to do a different letter?

Ms Royston: Yes, and I think there is work going on to try and improve the way that the computer picks up what is the necessary information to send, so that it does not just produce what were hand sent letters where it was obviously easier to produce it like that with a range of options. It also needs more work in drawing out of the system things into an easier format. There is too much that comes directly out of the computer in the form that it has been input into the computer. I also think, as I said when I talked about the entitlement record—it would be very helpful if people could have one sheet that told them everything that they were entitled to in one communication.

Q44 Harry Cohen: On computer aspects and websites that have been referred to, I know the DWP are doing quite good work in improving their websites?

Ms Royston: Yes.

Q45 Harry Cohen: It is probably a bit slow and taking a bit longer, but they are getting on with improving their website, for example, with Jobcentre Plus. I think that gives generic information to claimants, but is there a case for having a proper e-mail link to all these websites so that when a claimant goes on and uses it, there is somebody to answer them as well via e-mail?

Ms Royston: Yes, I think that would be helpful, but, again, these are things that would only be helpful to some claimants. Not all claimants have access to computers or would know how, but for some claimants that would. I think there has also been talk about using texting, and, again, a lot of claimants do have mobile phones; texting would be useful.

Q46 Harry Cohen: The key point is generic advice is important, but to go beyond that, is that something that is necessary in the upgrade of the website and the IT systems?

Ms Royston: You mean being able to ask a specific question about their benefit.

Q47 Harry Cohen: Yes, just to raise your specific claim, so you can put the reference number in.

Ms Royston: That would be terribly time-intensive, would it not? It would be very nice, but whether that would be feasible, I do not know.

Q48 Harry Cohen: We are talking about communications with claimants having problems, but in some of the documents, memoranda that the Department have put out they have said that communications within and between their own agencies is sometimes pretty awful?

Ms Royston: Yes.

Q49 Harry Cohen: Whilst we are looking and the Department is looking at improving communications with claimants, is this something that is being picked up, or is it very much secondary?

Ms Royston: That certainly is a problem. I saw a client. We had identified that she had not got a Sure Start maternity grant, and you only have three months after the birth to get the application in and she was only left with 10 days. She completed the form for the health visitor, she sent it into the Jobcentre, the Jobcentre then sent it off. She contacted the Job centre, the Jobcentre could not trace it and could not get in touch with, they had no way of getting through to, the Social Fund. They must have had a phone line, but they could not get through. In the end, I contacted them. They got in touch with somebody else in a different office. They tried to get through, could not get through and when they did couldn’t locate the form. The advice in the end from JC Plus was for her to complete a new form in case it had got lost. So she had to go back to the health visitor and get it signed all over again, she had to complete the whole form again. JC Plus gave me a fax no. and advised “Fax it off and ask them to e-mail you back and tell you that they have received it.” Again, they did not. Eventually, the client just
rang me and said, “Well, it has come”, but it seemed that nobody within the system could talk to the Social Fund either. It was not just that the claimant could not; it was not just that we could not; they did not seem to be able to talk them either. Yes, it is a problem.

**Q50 Harry Cohen:** It needs to be higher up the agenda as well?

**Ms Royston:** Yes, absolutely?

**Q51 Justine Greening:** You worked at the Benefits Simplification Unit, or you were seconded there for a while. I just want to find out a bit more about how it was organised and, if you like, the piece of work that it was doing. It seems to me that part of the difficulty with our discussion is that you will inevitably come up with lots of individual examples.

**Ms Royston:** Absolutely, yes.

**Q52 Justine Greening:** But what the Simplification Unit really needs to do is have that over-arching view of in which discrete places simplification could take place, and then to systematically look at all of those to the enth degree and come up with proposals that are then shared in a robust way with costs and benefits against criteria?

**Ms Royston:** Yes.

**Q53 Justine Greening:** How is the unit working? Is that how it is working?

**Ms Royston:** First, my remit was to write a report on the customer perspective. I spent the first few months consulting voluntary organisations. I talked to 26 voluntary organisations, the policy people in those. I also talked to lots of welfare rights workers within those organisations, CABs, went through the customer journey, did workshops, meetings, etcetera, asked them to pinpoint the problems at each stage of the customer’s journey from first finding out about benefit right through and also to suggest possible solutions. From that I wrote the report. The report comes up with about 70 or 80 interim solutions of complexity throughout the system. So, it looks in great detail at the system as a whole and where the voluntary sector feels the problems are. It also comes up with a long-term vision in terms of masking complexity. It does not go into single working age benefits, and so on, but with the system as it is, how the complexity can be masked from the point of view of the client.

**Q54 Justine Greening:** Were you asked to deliver your recommendations in any particular framework? For example, ones that might reduce error because the system was right first time, ones that might focus on how IT needs to change, ones that might focus on the people involved in the process—for example having one expert developing a model? Were you given any kind of general framework or were you just asked to go away and write a report however you wanted?

**Ms Royston:** No, it was not as specific as that. I was asked to look at the customer’s perspective. So, I took the lead from what the voluntary agencies said: I looked through the customer’s journey, basically. It was based on a customer’s journey and the problems at each stage in the customer’s journey.

**Q55 Justine Greening:** Going back to what you said earlier, I thought it was interesting you mentioned that, although lives are complex, there are some pathways?

**Ms Royston:** Yes.

**Q56 Justine Greening:** I think you are absolutely right, and I do think there is some merit in better segmenting the benefit claimants we see and the pathways. There are some core pathways that many benefits—

**Ms Royston:** Yes, sure. However, there are dangers of too much segmenting, in that people have complex lives. The lone parent that I mentioned, because she separated, was taken down that route and the two lots of DLA were missed. You have to be careful to get the full complexity of people’s lives.

**Q57 Justine Greening:** We have got a complex welfare system and, as far as possible, it does need to be simplified, and we talked about some of the dangers of doing that as well as some of the benefits. Do you think making small incremental changes is going to be enough to deliver the simplification that we want, or do we really have to do something far more radical?

**Ms Royston:** I think that both should go alongside. I think it is important to make the incremental changes. I think the alignments that are going on—. There are lots of ways in which life could be made simpler. We talked about the means test for those on contribution based ESA. That is one. It is a redesign that would actually make life a lot simpler. There are lots of smaller things. I think masking complexity can go a long way.

**Q58 Justine Greening:** If the DWP had to spend the next two or three years focusing on a number of smaller incremental changes, which would be the areas that would immediately spring to your mind?

**Ms Royston:** I guess doing a full benefit check is not small, but I think that would help enormously. The entitlement record, so that people have a full picture of their benefits, and the one point of contact would be enormously helpful; information sharing is really important.

**Q59 Justine Greening:** Fran, what about you?

**Ms Bennett:** I very much agree with that. I tend to think that there is a limit to how much you can do, as I have said, via administrative easements, but I think one thing we have not perhaps focused enough on in that area of incremental changes is just bad administration. In fact that sometimes it is not so much complexity as actually bad administration and mistakes in administration.

**Q60 Justine Greening:** This is what I mean—there are lots of areas. Part of it is looking at the process and how you can make it right first time?
Ms Bennett: Absolutely, and, of course, if you make it right first time, again it is a kind of invest-to-save, win-win situation because you do not get so many complaints and so many reviews and so many appeals further down the line, which, of course, are very labour intensive and frustrating for claimant and administrator alike—so improvements in administration. Obviously, the difficult issue around that at the moment is that the Government is trying to save on administration, and that is the tension that we are working with at the moment, but it can have its on-costs, if you save too much on administration, in terms of the complaints and reviews and appeals later on, and I think that point needs to be made very strongly.

Q61 Justine Greening: Donald, you would like a shorter term thing?
Mr Hirsch: I think what is coming out of this discussion is that, if you wanted to make some changes in entitlement and solve it that way, you have to do that in quite a big way and have a new system which is perhaps more generous. You almost start again. If you are not going to do that, then I think what is coming out of this conversation is that making little changes in entitlement is perhaps not nearly as important as trying to create more stability in the system, more clarity in the system and more support for claimants within the system. To follow from what Fran has just said about administration, I think there is a real risk that one looks at the administrative costs as though they are unnecessary, that the more money that goes straight to claimants the better. It is not at all clear that that is how you get efficiency, and the desire to reduce the number of people working on things, of course you can do things more intelligently through IT, but I think we have to have perhaps a more flexible approach to those sorts of costs than simply saying just try to reduce them per se. It is trying to make sure that it is cost effective really.

Q62 Justine Greening: Do you think there is a danger that all the Gershon savings are happening independently from what the Benefit Simplification Unit was doing and actually this was a brilliant opportunity to have the benefits simplification feed absolutely into Gershon in a positive way?
Mr Hirsch: Yes.

Q63 Justine Greening: One thing that came up when we were discussing this as a Committee a couple of weeks ago was simplification of things like common time periods for payment and reassessment rather than different benefits being reassessed under different circumstances and over different time limits. Do you think that is potentially an area that we could look at where there is some commonality in the way in which benefits are assessed and then reassessed themselves?
Ms Royston: I think it helped that they changed housing benefit, and that went on straightforwardly, however, I think there are greater priorities in terms of alignment than that.

Q64 Justine Greening: What would those be in your mind?
Ms Royston: Certainly I would like to see more alignment between tax credits and the benefit system. For me I think that would be the priority. If people are being persuaded back into work, once somebody is in a low-paid job, they very much have to do what the employer says in terms of hours in work, so things change. That, I think means how their benefits and Tax Credits change and interact become a very complex area and we would like to see more work done on alignment.

Q65 Justine Greening: One thing I have seen in my constituency and my MP surgery is that when tax credits are miscalculated, that ironically means that, even if benefits were worked out correctly on the basis of the original tax credit, they then have to be recalculated as well?
Ms Royston: Yes.

Q66 Justine Greening: So there is a total knock-on effect?
Ms Royston: Yes, if the computer will not stop paying somebody tax credits, then income support or housing benefit have to take that money into account even though the person is going to have to pay back the tax credits because, in the tax credit system, if the person knows it is an overpayment, then they have to pay it back. So, the person has reported it, they want it to stop, the tax credit system cannot stop paying them, so they lose their housing benefit and council tax benefit.

Q67 Justine Greening: Do you find that they are able to retrospectively correct that when they are faced with the tax credit. They then, of course, have to pay the tax credit overpayment back?
Ms Royston: They have to pay it.

Q68 Justine Greening: So they are left really losing out?
Ms Royston: They lose out, yes. Housing benefit cannot pay them that money back. Housing benefit has to treat the income as it is actually coming in. There are just so many areas where there are problems with tax credits.

Q69 Justine Greening: That sounds like a clear area where the claimant ends up with less money than they were entitled to purely because of errors within the process in the system?
Ms Royston: Yes.

Q70 Chairman: Are you saying that housing benefit cannot be recalculated on the actual income?
Ms Royston: That is it, yes. It cannot. It has to treat the actual income that has come in—

Q71 Chairman: I am talking about subsequently?
Ms Royston: No. They cannot go back and recalculate.
Chairman: I must let you know I managed to do it then.
Q72 Justine Greening: I will let the Chairman pursue that with you later. Donald, the Joseph Rowntree Foundation mentioned benefit up-rating and the differences in the way that even happens as being one of the, I think you said, greatest yet least noticed anomalies in the present benefit system. How do you think the Government should go about tackling that? Should it be simplified? Do you think there are some broader conclusions for other simplification efforts from that?
Mr Hirsch: It feels very unfair that a Government that thinks that people deserve certain things in certain circumstances should have about five different ways in which it changes those entitlements over time, with huge impacts over a very long period. We all know from the debate about the uprating of the state pension how much effect there has been of only up-rating it by prices rather than earnings over a whole generation, and that is actually being repeated through other parts of the benefit system. Clearly, the Government does have some priorities, like, for example, in the case of children, to give money to the lowest income families so that the most means-tested bits are being up-rated the most generous, and that is fine if those priorities are made clear, but I think there has to be much more clarity about why things are being up-rated in different ways and what impact that is going to have over the longer term. The other interesting effect on simplicity or complexity of doing things in the present way is that it seems that when something is not particularly wanted or favoured that it is left to wither. The ultimate example is the five shillings a week that you get when you are 80, which is still five shillings. Of course, there was a time when they withered, if that means that they are not meant to be wither. The ultimate example is the five shillings a week that you get when you are 80, which is still five shillings. Of course, there was a time when they withered, if that means that they are not meant to be wither, which I think is very important.

Q74 Justine Greening: Either align it or be clear on what were we are trying to achieve?
Mr Hirsch: Yes.

Q75 Justine Greening: So if benefits are allowed to wither, if that means that they are not meant to be viewed as high priority, they should go and the money should be loaded on to benefits that are high priority, perhaps tackling your issue about income?
Mr Hirsch: Yes, there is an issue about honesty, if you like. There is also, of course, an issue about preserving people’s entitlement and not having a sudden drop in their income. I think when something is being phased out, you can phase it out a bit more expeditiously rather than over generations. Also, I think there are other things which are in between, like, for example, child benefit. Occasionally, as in fact in the present Budget, the recent Budget, there is a little jump, but over time it goes up with prices but not earnings. I think if the rationale were made clearer, people, both claimants and also the public, might understand a bit better and be able to get more of a stable view about what the purpose of these different benefits is.

Q76 Greg Mulholland: Moving from what Justine was talking about in terms of incremental change, I want to put some questions to you about more fundamental change. First of all, can I ask you, Fran, in terms of experience from previous benefits unifications, what do you think we can learn from those about the process of simplification?
Ms Bennett: I think most reforms are described as simplification, perhaps even if they are not. Certainly one of the concerns that we had in the 1980s about the change from supplementary benefit to income support—those of us here who can remember that—was simplification meaning rough justice. I think that is always something to look out for. You need to be careful, if you are simplifying, that that does not involve rough justice for some of the most vulnerable claimants. It relates to Donald’s point about how generous you are prepared to be with your system, and simplification works much better in a generous system than it does in a system which is less generous. So, I think that is one of the lessons we can learn. I think there are two other lessons which we have learnt from more recent reforms. One is that we do not seem to be very good at large-scale IT projects. I will put it no more highly than that, since, obviously, the Committee has a lot more experience of that than I have. I think it needs to be a real point of concern that when we are talking about the kinds of people we are talking about who are affected by child support or tax credits, we really should have learnt our lesson by now that we need to be very careful about how those systems are set up and how they work. The third thing we can learn, and this is why I very much look forward to being able to read Sue’s report and also why I think the insight research idea of the Government is so important, is that we have learnt that we have to go with the grain of people’s lives and, particularly for people on low incomes, we have to recognise how they budget, which is week-to-week and not year-by-year, and we have to recognise how much their incomes fluctuate. As I said before, we have to recognise that lot of people, for example, who come to the advice centre I am involved with are illiterate or barely literate. All those things I think we need to very much understand, and I think the way in which you do that is in more participatory kinds of research. The Government may well evaluate specific initiatives, but it does not necessarily look holistically from the perspective of the claimant at the impact of all initiatives together. The Government, obviously, does do customer satisfaction surveys, but those customer satisfaction surveys, I do not want to say, tick-box because that sounds too negative, I think they are very important, but they do not get the in-depth experience of how claimants see the world and what is important to them, which I think is very important.
Q77 Greg Mulholland: In terms of potentially radical reforms, there are two things I want to get your thoughts on. First of all, the potential in the UK of a single working age benefit. Can I ask if you think that is something that has potential in this country and, if so, what are the advantages and disadvantages of that? That is to all of you.

Ms Royston: I do not have a great deal of thoughts on it, but I would see one advantage to it. At the moment, there is a big difference between incapacity benefit and JSA. We see people, typically somebody with a mental health problem, and it is extremely frustrating, who, it might be, has been very depressed, is getting better, goes back into work, has a PCA at just the wrong moment and, as a result of that, is suddenly thrown off IB, the result of this upset is he goes back down into depression, gives up the permitted work, goes back on to IB because his doctor says he is a lot worse. As to the working age benefit, instead of having this cliff edge from one benefit to the other, if there could be a slope of conditionality. There would still need to be EMPs doing tests, but, as someone was getting better, the conditionality would increase rather than this amount of conditionality on JSA and this amount of conditionality on IB or ESA. I would see it as a great advantage if we could have a slope of conditionality rather than a cliff.

Ms Bennett: I think there are obvious attractions. I think they would have to change the acronyms, because I think a benefit called SWAB would be a bit of a problem! There are obvious attractions, but I think there are different perspectives on this depending on who you are. I think academics and Government are particularly interested in the different conditionality for benefits and the artificial boundaries between benefits—the kind of thing that Sue has just been talking about—but they do not necessarily go on to also consider what is incredibly important for benefit claimants and for practitioners and advisers, which is actually how do you qualify for that benefit in terms of eligibility conditions—is it means-tested or non means-tested basically—and at what level that benefit is paid. I think those are absolutely critical issues that we must not lose sight of in wanting to have a single framework for working age benefits, if you like. It is absolutely crucial for claimants, particularly women, how you qualify for that benefit, whether it is means-tested or not in particular, and also it is important for people that, for example, incapacity benefit is higher than jobseekers allowance. If a single working age benefit means going down to the level of jobseekers allowance for everybody, then that is a different picture from whether it is levelled up. I think the danger with this proposal is that it is a kind of Holy Grail, as the integration of tax and benefits was for the last decade perhaps, and that we get into the frame of mind which says: if you cannot do that you cannot do anything about complexity or reform of benefits or whatever, and I think it would be a shame if we did do that. New Zealand is introducing this kind of thing, and it still has differences between claimants. There are going to be work-ready people and work development people and work exempt people. So, whilst getting rid of the cliff edges and artificial boundaries is very attractive, as Sue says, you may still need a range of conditionality within your benefit system, and I would argue you need as much non means-tested benefit as possible and as high a level of benefit as possible, and those are also of critical importance to claimants.

Mr Hirsch: I agree, the level is very important. Perhaps a precursor to some sort of single working age benefit is actually getting better about thinking about what people need, and perhaps part of this is trying to think more about what people need rather than how they happen to have got on to benefit or where they are in their journey. The Joseph Rowntree Foundation, I hope, is making a major contribution to this with our study, which we mentioned in our submission, on minimum income standards, and I think if we can get greater clarity about how we would start thinking, which we never have done, about what is the basis for the level of benefits, then we could get a bit closer to saying: “What is a baseline working age benefit?“, which some people may need supplemented, for various reasons.

Q78 Greg Mulholland: That leads straight on to the other even more radical suggestion of a citizen’s income. I noticed in the Joseph Rowntree Foundation’s submission it says, “This is politically inconceivable.” Can you briefly explain that and can I ask you, Fran, if you agree with that?

Mr Hirsch: What we actually said was not that some form of minimum citizen’s income was to a degree inconceivable, but we did a simple modelling of what it would mean to give people their basic entitlement and then have a single, flat tax rate on top of that. We calculated that that would be 46%. We did not think the country was quite ready for that particular form. There are other ways you could do it, in terms of continuing to have differential tax rates. The main thing about it is that there is a big trade-off. At the moment we have some form of minimum income in different ways in and out of work, although not for everybody in work, and we then withdraw that very quickly and then we put people on a nice, gentle tax rate. That does not seem a very logical way round of doing it. The trade-off is that you do not start off by withdrawing it quite so quickly; but that means that people within the middle of the income distribution would have higher marginal rates of withdrawal and that is the kind of political difficulty. It may well be rational and logical; whether you can sell it to the public, I think, is a very tricky thing, for that particular reason.

Ms Bennett: I basically agree with Donald. Again, a citizen’s income has got huge attractions and it has got a lot of supporters who are very Messianic about it and it is at one end of the integration of tax and benefit spectrum really. So, on the one hand, you have negative income tax, which is very means-tested, joint assessment and so on, and at the other end is citizen’s income, which is a payment, like child
benefit in a sense, to every adult on an individual, non means-tested and unconditional basis, and I think all those three things are important. In a sense, the way in which we have child benefit is easier than citizen’s income because it does not involve people of working age and it is possible to envisage citizen’s income for people who are not of working age in a way which I think is more difficult to envisage for people of working age; and that is particularly because of conditionality. That is why it is relevant to the single working age benefit debate, I think, which may be going part of the way towards that but the lack of conditionality for citizen’s income is probably, I think, an even bigger political issue for the current Government than the fact that it would be non means-tested and individual.

Q79 Greg Mulholland: Can I pick up on that specific point. Do you think it is possible, therefore, to extend the principle of citizen’s income to other parts of the benefit system? You say not working age people, but could it be applied to other parts and, if that is the case, which ones?

Ms Bennett: I think it would have been easier to extend it to pensioners, for example, although, obviously, if you want to retain the loyalty to paying National Insurance contributions, which governments appear to find it easier to raise money from than personal income taxation, to make your main benefit dependent on contributions, which is the pension, into a citizen’s income instead, might prejudice the greater willingness of people to pay National Insurance contributions, and I suspect that was the reason why, in the recent programme of pension reform, the Government decided not to go down the route of the citizens pension but actually to retain a very modified contributory condition for the basic state pension, which is 30 years rather than what it was before. They are not going to do another pension reform immediately, I do not think, so I think the opportunity has passed for introducing it into that area. I think, like Donald, it is more difficult to see it happening in terms of working age people at the moment.

Ms Royston: I do not think I can add a great deal to this. I can see the attractions.

Q80 Greg Mulholland: One final very quick question. We are quite happy with yes or no answers. Fran, you picked up the issue of means-testing. Very simply, do you think a reduction in the amount of means-testing in the benefit system would go a very long way to reducing the amount of complexity in the benefit system?

Ms Bennett: Yes.

Ms Royston: Yes.

Mr Hirsch: Yes, I think at the moment some of the things that we means-test are going so far up the income distribution that it would make less of a difference to do that than we sometimes think.

Q81 Michael Jabez Foster: I want to ask you one or two questions about the incentives and disincentives to work if we adopt more simplified systems. I know, for example, that work by the Institute of Fiscal Studies suggests that both the incentive to work and the in-work incentives, whilst higher today than in 1979, have actually fallen off in the last few years. The Joseph Rowntree Trust highlights this work in its submission. Is it as a result of complexity that you think those disincentives arise, or is it just that the benefits are too high anyway?

Mr Hirsch: Neither. It is not as a result of the complexity of the system but it does have complex reasons. It is to do largely, I think, with putting more of an emphasis on providing benefits for children, which are going across low-income groups, and the working tax credit, which is associated with work, is not rising as fast. There are a number of complicated reasons for it. What is more relevant here is to say: “What is the interaction between complexity and work incentives?”, which is quite interesting. At one level (and this may sound a bit cynical) the fact that the system is so complex could actually help avoid work disincentives, in the sense that somebody who is in work getting a tax credit might have a withdrawal rate of 50, 60 or 80% but not really quite realise it because it only comes further down the road, and so, if you are offered more work you do it, you do not think, “Am I going to end up with not much more?” On the other hand, of course, the long-term effect of that can be disillusioning, and also the reverse can be true, that sometimes people do not realise what they are entitled to. That could cause them to underestimate the incentive to work, although it could also cause them to overestimate it. Let me tell you what I mean. If somebody is thinking about whether to go into work, people often think, “I am going to have to pay my rent”, when in fact they get a lower amount, but they still would get housing benefit in work, and not being able to make that calculation can be a problem. Similarly, they might not realise that they can keep the child tax credit up to a certain income. On the other hand, they might not be able to work out some of the losses they will make, for example, by losing some of these so-called passported benefits like free prescriptions, and so there is certainly going to be an interaction between complexity and the incentive to work. I think the particular risk of having complexity, as I say, is not realising what you could be entitled to in work. Even though on paper it looks like you are better off, you do not realise it. But once you are in a job, the high withdrawal rates that you have might not be very visible.

Q82 Michael Jabez Foster: We have had evidence in the past from parents, in particular, who are fearful about the delays in the system being created in work benefits. It is not simply a complexity issue, but they are fearful how long it is going to take to replace income in work. Is that an issue that you have come across in your inquiries?

Mr Hirsch: Yes, because it creates a kind of conservatism really. It creates the opposite of flexibility. If you are getting something and you have an opportunity to do something else, you are afraid of changing your status. That is particularly also to
do with the difficulties we have in huge distinctions between your status when you are working and not working.

Q83 Michael Jabez Foster: How would any of you deal with that issue, particularly the complexity issue, of a better understanding? We discussed earlier the enormous support that is being given just in filling in forms; but when people are coming out of work, unless they have got an adviser, such as a single parent adviser, or whatever (and I know they are very good at doing that), other groups that may be moving out of benefits into work, and so on, have you any examples of good practice as to how that might be better achieved?

Ms Royston: I would first like to say something about the problems, because I think there are a lot of realities that are not taken into account. Just looking at lone parents, I think, on average, they are a lot better off in work. However, that average hides very different groups. There is a group who are enormously better off as a result. If they have high maintenance, if they have low childcare, if they have low rent, the tax credit system has been wonderful; it makes them a lot better off. If they can command a high wage—as their hours increase, they increase enormously better off. However, I do not think the submissions would say that you, should not deal with the effects of the complexity. I do not think any of the submissions I saw were saying that, complexity did not matter. It is important to address and find ways of masking that complexity, but I think what they were saying is, if there is a limited amount of money, making sure that it addresses people’s individual lives is important and not levelling everything down so as a result you are not addressing individuals’ problems.

Ms Bennett: I think I would argue what I argued at the beginning, which is that the crucial thing is the outcomes for claimants and that seeing simplification in its place but in the light of those outcomes for claimants being the important priority is the way to go about that, and it is not so much about addressing the complexity, but I think what they were saying is, if there is a limited amount of money, making sure that it addresses people’s individual lives is important.

Q84 Chairman: We did receive lots of submissions that cancelled against simplification, one-parent families for one, in that the complexity does allow you to deal, superficially at least, with individuals’ circumstances. Is this a sterile debate? Can we wrap this inquiry up today?

Ms Royston: I think when people are saying get rid of complexity, I think it would have to be tempered by some complexity because I think there are important areas where complexity is necessary. However, I do not think the submissions would say that you, should not deal with the effects of the complexity.

Q85 Chairman: A very constant principle over 40 or 50 years in benefit changes has been that there should be no cash losers at the point of change, and often that brings in great losers when you actually follow it through; but do you think there is a case for buying out people’s right to retain the benefit they used to be on that is no longer there?

Ms Bennett: I was not quite sure what you meant by “buying out”. Do you mean giving them a lump sum at one time rather than continuing to pay them five pence a week over 60 years?

Q86 Chairman: If we go back to 1988, one of the big changes was the abolition of a long-term rate and lots and lots of lone parents had no increase in their cash benefit for two, three, four years. In their circumstances, it may be better to say: “Here is £1,000, here is £2,000, but from now on you are on this.” Give them the option perhaps. Do you know of anywhere in the world where that has been done?
Ms Royston: I do not, but it would be very helpful, certainly with sickness benefits. There are so many different forms of sickness benefit it must be very difficult for local JC Plus offices to deal with. It is difficult for advice agencies to deal with when you have got people on invalidity benefit, incapacity benefit, SDA and so on. I suppose it depends whether it is affordable. It would be very helpful if it was affordable.

Ms Bennett: Yes, the problem about the lone parent example is that it would be very difficult to predict how much you ought to give them to be fair, because you would not know how long their lone parenthood would last. We know the average is only about five or six years, I think, but it would be more or less difficult to have such a buy-out depending on which group of claimants you were talking about, I suspect.

Mr Hirsch: In any group there would still be winners and losers, would not there, because in any group you do not know how long they are going to go on claiming it?

Q87 Chairman: Can I take you back to basic principles. Should we be moving to an individualised benefit system or is maintaining (for parts of it) the household still acceptable and the right way to do things?

Ms Bennett: That takes us on to a whole other debate, if you have got two hours, that I would be very interested in having with you. Briefly, I think there are two different things that are talked about when people talk about individualisation, and they are very different. One is individualisation of payment and the other is individualised assessment, and that is within the means-tested area. We already have individualised benefits which are non means-tested. They are increasingly not carrying dependant’s additions with them and, therefore, they are just totally individually based. So, it is not an issue with the non means-tested benefits really. I assume you are talking about means-tested benefits or tax credits, where there is much more difficulty in individualising. My personal preference is to go as far as we can down the non means-tested routes, because those are much more appropriate individualised benefits, than to try to individualise means-testing. You can individualise means-tested benefit payment just by chopping the payment in half once you have assessed a couple jointly and giving half to each adult. You could argue that that is more consistent with the Government’s rights and responsibilities agenda: because, for example, with joint claims to jobseekers allowance now both partners have actively seeking work requirements but one of them gets the benefit and the other gets nothing; so you could argue that it is more consistent. There have been concerns expressed, particularly in terms of couples with children, from people who are worried about women’s welfare and children’s welfare because they argue that some men would see that half as their personal spending rather than that half being both their personal spending and their contribution towards household expenses in general. So, whereas you might have thought it was a good idea for the woman to get half of the benefit in those circumstances, some people have argued that we need to be a bit careful because it might mean that the woman ended up with less benefit for herself and the children and the household as a whole, which is usually her responsibility. So, that is payment. Individual assessment of means-tested benefits is a much bigger issue and much more complicated. Australia has gone some way towards an individualised means-tested benefit system, and Jane Miller is the person to talk to about that, where if your partner gets no more than the amount of benefit, either in benefit or in earnings, that is ignored for your own entitlement basically, but she is the expert on it. Individualised assessment, even that is only partly individualising the assessment, and if you have got a means-tested benefit system, it seems to me quite difficult to see how it cannot take account of within household transfers. I think there are better routes to go, but I agree basically with the goal.

Chairman: I did hesitate about asking. Can I thank you very much for being here today. It has been a very interesting session and will be reflected in our report. Thank you very much.
Wednesday 16 May 2007

Members present:

Mr Terry Rooney, in the Chair

Miss Anne Begg Greg Mulhollland
Natascha Engel John Penrose
Justine Greening Mark Pritchard
Mrs Joan Humble Jenny Willott
Michael Jabez Foster

Witnesses: Mr John Wheatley, Senior Social Policy Officer, Citizens Advice, Mr Paul Treloar, Director of Policy and Services, Disability Alliance, and Ms Anna Pearson, Senior Policy Officer, Help the Aged, gave evidence.

Q88 Chairman: Good morning, everybody. Welcome to this, our second session on Benefit Simplification. Welcome to our witnesses. Thank you for being here. As usual, can I just remind people to switch off mobile phones and pagers, if you have them. We are glad you have been able to come and give evidence to the inquiry and we thank you for your written evidence. To what extent do you think complexity in the benefits system is inevitable and a consequence of the fact that people live complex lives? That is an easy one to start with.

Ms Pearson: I think it is an easy one actually. I do not think complexity is absolutely necessary. It does relate to various attempts to fit people's lives but actually, by doing that, in itself it becomes rather inflexible in the long term, and also, I think the main thing with complexity is that it creates a lack of accessibility in the system, so even if the system is absolutely, theoretically, completely fair, in my view and in Help the Aged’s view, if it is not actually reaching people so, in a way, theoretical fairness is of limited use. I think the most important thing is that the help is reaching people and at the moment it simply is not. We have well over 2 million people not getting the benefits that they are entitled to and that does not even include Disability Benefit, which I am sure Paul will want to refer to.

Mr Wheatley: Yes, over time, with long-established policies like means testing and targeting of benefits, and the development of support for people in work, we are necessarily building up a raft of rules, which adds to the complexity. Some of it is good; some of it is bad.

Q89 Chairman: What is good?

Mr Wheatley: Things like adviser discretion, which give personal advisers the discretion to spend money on getting claimants into work. Some of the in-work benefits and some of the linking rules have the potential to be very good. They do add complexity, but I think they depend very critically on the people running the system knowing how to use them, knowing when they come into play, and on claimants themselves having an awareness of them. So complexity plays against itself even though it has uses.

Q90 Chairman: That is interesting. We get plenty of examples of what is bad but we never get any of what is good, so that was useful.

Mr Treloar: I would agree with that. I think the front end of claimants’ experiences is vital, the point of interaction, as John said. If Jobcentre Plus staff are well informed and know which direction to point people in, if the claiming process is made easier from the point of view of the claimant, the complexity that is inherent in the rules around benefits like Disability Living Allowance, for example, do not necessarily have to impact terribly on the claimants themselves. It is how those interactions work for us really. I think there are opportunities to go back to first principles and align some of the certain, basic definitions, and how they work around work and students and earnings, some of these kind of things, because there are variations across benefits which we struggle to understand, let alone the people who are actually trying to claim the benefits. Students is a good one: the miasma of rules around support for a part-time student across the benefits system is staggering really. If people are going to be encouraged to go and study, it would make much more sense if there were certain basic definitions. We do not understand exactly why there are such wide differences across benefits. It would make sense, we think, if discrete areas were addressed in some of those issues.

Ms Pearson: I think one of the biggest problems of complexity that the Department has is that it tries to get everybody’s benefit claim down to the final penny, so it tries to get it down to a completely irrelevant amount of accuracy, and a lot of the intrusive methods that people face are down to that determination by DWP to find the exact amounts of savings. A little more leeway would really help, I think, and would actually make simplifying the systems in the long term a lot easier. We are really passionate about the fact that the complexity does not need to appear to the customer; it can be hidden, particularly for pensioners, and I am sure we will come on to that.

Mr Treloar: Some of the medical assessment processes: we hear from parents of disabled children about the amount of assessments they have to go through. To pick up on Anna’s point, it feels like people are looking to be excluded rather than included. It is concentrating on what people cannot
do or what children cannot do, which obviously parents find very difficult if they are dealing with a disabled child. As I said, the claiming process, things like information sharing across departments could hide a lot of that, so people do not have to provide the same information again and again, so they feel like the Department are trying to catch them out to see if they will give the same information to various departments.

**Chairman:** You may or may not have read the proceedings last week. We got a similar message, that if there is complexity, it can be backstage and does not have to be there for the claimant.

**Q91 Natascha Engel:** If you take the whole process of the benefits system being three main stages, where you have making and verifying a claim, maintaining a claim, and dealing with changes in circumstances, where exactly in those processes do you think that the problems of complexity lie? Do you think the DWP have done anything already to address those complexities? If so, what?

**Mr Wheatley:** It depends whether you take the complexity from the perspective of people using the system or people administering the system. I think there is a very different perspective depending on where you are looking at it. Certainly, from our clients’ perspective, I would echo what Sue Royston, a previous witness, said to you, which is that from the claimant’s point of view, they come to the system not knowing what benefits they want to claim. They come knowing that they need help but they are in a situation where they do not have the money and they need to do what they need to do. So they are looking for a system which gives them the answer, tells them what their entitlement is. I think the DWP has recognised that to some extent with the new standard operating model, which is moving from a rather cumbersome two-stage process where there is an initial 20-minute call and then an hour-long call back, and moving to a single call, with the aim at least of capturing all of the information about a client’s circumstances, which could in theory improve things. I think in practice it has some way to go before it achieves that. I think there is recognition that people should not be expected to understand the myriad rules governing benefits. They should not be expected to know that they might be entitled to a Disability Premium in Income Support. They should just be asked, for example, “What are your circumstances? What illnesses or disabilities do you have? How does that affect your life?” and then be taken through to what their entitlement is.

**Q92 Natascha Engel:** There is a fundamental problem though when you are looking at it from the perspective of the claimant, which is that, unless the claimant is prompted to give lots and lots of responses, which in itself is quite a complex process, you are not going to be able to judge what kind of benefit is given. Do you think that is where the issues of complexity are a problem?

**Mr Wheatley:** I think it is and I think it goes back to another point that a previous witness made, which is that you need people running the system at the front who have some inkling of how the system works. It cannot all be done by a script. Otherwise, you take people through the whole script when it is clear from the very outset that they have capital or maintenance which takes them above the level of entitlement for Income Support. You end up with a lengthy call, at the end of which no-one is clear whether anyone is entitled to help and I think that is just a waste of resources.

**Ms Pearson:** The system really does not empower people to take responsibility for their own claims. Quite frankly, I would find it completely impossible to do so myself and to understand the whole range of benefits that exist. I think DWP has made some real progress, in particular with the Pensions Service, in trying to integrate claims but it only goes so far because, of course, the means-tested benefits, the stuff they have integrated, which is Pension Benefit, Housing Benefit and Council Tax Benefit, are only three in a multitude of potential benefits. There are all the health-related benefits as well, so if you can only get a limited amount of right, that is great but they still have a very long way to go because people potentially face a real navigational issue on the ground so that even if one DWP service is integrated, they still have to find a whole range of other contact points in order to get the services and help that they require.

**Mr Treloar:** I would stress that the interaction between benefits is key, both at the outset but also when people are coming to the end of their claims. Understanding the knock-on effects of any particular benefit stopping or starting can have massive effects if people are receiving, for example, Independent Living Fund payments or Motability payments, Housing Benefit, and Council Tax Benefit and the means-tested benefit passporting, for example, all of those things are extremely difficult to get across to people. I know we are going to go on to this, but in terms of the work incentives and so on, I think they actively work against people thinking “This is something that I can manage and achieve” because of the concern around losing benefits or losing income and not fully understanding the situation.

**Q93 Natascha Engel:** DWP say that they have tried to improve their written communications with claimants. Do you think that has improved things? I have seen some of the written communications and I still find them quite complicated but I was wondering what your experience was.

**Ms Pearson:** I think their leaflet rewrite has been quite successful and certainly the leaflets are a lot better now. Some of the letters remain quite inscrutable for a lot of people, particularly around older people claiming Carer’s Allowance. So people are sent a letter which says “You would have been entitled to this had you been of working age. You are not, but you have an underlying entitlement which means you might get extra help with other things.” Trying to explain this to people is an absolute nightmare and it is a prime example of where complexity is really confusing the customer and putting them off the system altogether. We struggle
as a charity to get people to re-engage with the system once they have had some bad letters like this. It can really affect people’s confidence. You also mentioned the change of circumstance issue. I think there has been recognition through the Varney review that something can be done about that and I really hope that DWP take it forward very strongly. You have the classic example of the person who was bereaved and they had to make something like 40 or 50 contacts in order to try and get their situation sorted and after 140 days Housing Benefit passports still were not sorted out. It is once things go beyond the simple that things really break down for people, so if you have a very simple life, a very simple income, it works all right but after that it can break down somewhat.

**Mr Wheatley:** I would agree with Anna about the leaflets, although I think the DWP’s mind has been focused by some of the legislation in the European Court on pensions information in leaflets. It has had to focus on communications of that kind. I have been discussing with DWP and its predecessors the need to improve the quality of basic letters since I was a much younger person, and I have grown old in the process really. It is constantly thrown back at you that there are legacy systems which limit their ability to change the way they communicate with clients. I regularly see letters that are sent to clients. I saw one just recently: an 81-year-old woman who received a five-page letter about Pension Credit while she was a much younger person, and I have grown old in the process really. It is constantly thrown back at you that there are legacy systems which limit their ability to change the way they communicate with clients. I regularly see letters that are sent to clients. I saw one just recently: an 81-year-old woman who received a five-page letter about Pension Credit still were not sorted out. It is once things go beyond the simple that things really break down for people, so if you have a very simple life, a very simple income, it works all right but after that it can break down somewhat.

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**Q94 Mark Pritchard:** I think one of the great benefits phenomena of our generation is the mystery of why there are so many people who are entitled to benefits unable to access them, perhaps through complexity, yet there seems to be another group of people who are very adept at navigating that complexity and defrauding the system of hundreds of millions of pounds a year. That seems rather odd to me but I just wanted to ask about the issue of complexity. Do you think there is an inherent bent towards a continuation of the complexity given that people are not claiming the money they are entitled to? Secondly, any benefits simplification would see, I think, quite a dramatic change in the number of people working with the Department for Work and Pensions. Is there a creative, healthy tension there or is there an unhealthy tension?

**Mr Wheatley:** That is a very Machiavellian question! I do not think the DWP has any particular agenda to keep benefits difficult in order to minimise the numbers of people claiming them although sometimes it does feel as though that is their intention. I also do not think they keep it deliberately complex in order to try and make it more difficult for people to understand so that it is more difficult to commit fraud.

**Mr Treloro:** We have concerns in terms of the anti-fraud messages that come out of the Department. They actually mitigate against take-up of disability benefits. As I said earlier, people are worried that they are trying to be caught out when they are making claims for benefits and I think there is a careful need in how some of these messages are presented. I am not going to be so naïve as to pretend there is not fraud within the system but the figures for official error and lack of take-up of benefits are far bigger than official fraud, and I would commend the Department on the anti-fraud work that they have done in the last 10 years. I suppose I would vary from John slightly in the fact that I think, from the point of view of a lot of people we talk to, disabled people, there is a perception that benefits are made difficult to make them more difficult to claim and again, that is something that the DWP need to address in the messages they give out about how people can claim benefits, certainly.

**Ms Pearson:** I think the complexity is absolutely set to continue, as you implied. The Pensions White Paper in particular does not really remove the levels of means testing; it maintains them at around the current levels. In a way, financially; I think the Government considers it targeting and there is a case for that. However, I think it is unacceptable that around £4.7 billion is going unclaimed every year and millions of people are missing out, and there does not seem to be an appetite at the moment to do anything about that. There are lots of bright ideas going around, lots of good work done by officials, but it is not really getting the high-level political backing that it needs. I, like John, do not really think that it is down to DWP but perhaps the Treasury has a different view. If this unclaimed £4.7 billion were to start going to all these people it would be a significant cost, but it is a cost that is essential because, in my view, at the moment, if you have a system which is not reaching so many people, it is failing in its purpose. The primary purpose of the welfare state is very much to protect people from
poverty. You asked what kind of people were not claiming compared to the people who are potentially defrauding the system. I think fraud is often overstated, as Paul said. Last year the statistics showed that there was absolutely no fraud around pensions; it was equivalent to nought in terms of the levels of fraud. All the overpayments and underpayments seemed to be down to customer error or staff error, and I think that is a really important point as well because complexity does not only affect the people on the ground. It also affects staff working at DWP, trying to do their best for people, trying really hard to meet that person’s needs, but actually not empowered to do it because they can hardly understand the calculations they are making, and they are not linking across to things like the Warm Front scheme which Defra organises and other things like that. I think there are real issues there but there is a real case for automaticity with benefit payments to pensioners, I think. The concept has been proved within government. It just needs some real backing. It really needs to be driven forward. Sir Michael Lyons recommended that in his review of local government funding in relation to Council Tax Benefit but really, the principles could apply across the board. The more you simplify benefits at root, the easier that process of automaticity becomes at the end user point.

Mark Pritchard: Thank you. I look forward to Sir Michael Lyons promoting automaticity of the TV licence fee.

Q95 Natascha Engel: Can I pursue that point with you? In your submission you talk about radical change and fundamentally about simplification. I think it goes to the root of our inquiry because one of the issues about having a complex system is that you capture more people who have different needs and simplicity actually goes against that and may actually stop capturing all those people. So whilst it may be attractive, there is a great big elephant trap. I was just wondering where you felt the balance lay. You did make a very strong case for a radical change.

Ms Pearson: It is undoubtedly a very difficult area and I think the ideal would be that Government is prepared to pay what it already promises to people. It may be that they are not prepared to do that, in which case there could potentially be some losers but I do not think we can let ourselves be paralysed by the fact that some people might lose out. We have to remember that millions are already losing out, and for me that is fundamental. If perhaps you are reaching half of the people but it is very fair and you are trying to meet everyone’s needs and you still have half missing out, to me that is just very wrong, so we perhaps do need to be brave and take the step and go for simplification so that everybody gets their entitlement. If that means a few losers on the way, I think that could potentially be a hit that is worth taking although it is certainly not desirable. Really, if Government promises certain levels of benefits to people, it should be prepared to keep that promise.

Q96 Natascha Engel: Finally, also in your submission you made a strong case about the Pensions Service as an example of how the process can be simplified. How do you think in practice, given that the Pensions Service is actually a discrete part of the DWP, as you outlined before, that can be duplicated and rolled out across the rest of the DWP? What would it look like?

Ms Pearson: I struggle to know how it would be rolled out across the whole of DWP.

Q97 Natascha Engel: In terms of delivery of certain benefits.

Ms Pearson: I think a big barrier at the moment for DWP in improving their services is the level of funding they are receiving and the headcount issues. What is actually happening is that there are a lot of good ideas for how to do things but there is no up-front investment being made, which would down the line potentially lead to efficiency savings. I would not necessarily see staff dropping out but staff being repositioned to actually work on issues like health and wellbeing. I think that is very important. I think that is a potential benefit of simplification, that you free up staff based at local authority and national level, and in the third sector, to stop chasing complicated claims and to actually help people. In terms of rolling out, I do think there needs to be a little bit of flexibility around headcount. It is leading to some quite unfortunate, unintended consequences at the moment. For instance, an official I spoke to said that local authorities had wanted to outsource their Housing Benefit and Council Tax Benefit processing of claims to the Pensions Service. The Pensions Service were not allowed to do it because of headcount, yet the local authorities would have paid the money. At the moment that headcount issue is preventing them taking on what could be quite a good business case for them and generate some income. That is the sort of thing I think officials at the top level really need to get their heads round. In terms of following the Pensions Service model, it is already starting to happen in bits with Jobcentre Plus but they are a lot further behind. Face-to-face services have been shown to work very well when they are used. It is like customer segmentation. You get the easy claims done on the phone, and then if there is a difficult one, you take it to face-to-face services. If you do not do that, the cover costs only fall elsewhere in terms of people not getting the help and then getting into arrears, causing the system lot of issues really.

Q98 Chairman: You repeated two statements quite a few times, that half the people are not getting the benefit and 2 million people are losing out. I presume there is not a single benefit where half the people are not claiming it and that was just a colloquialism?

Ms Pearson: Council Tax Benefit is pretty much unclaimed by half the people eligible for it. Other benefits, Pension Credit, for instance, there is 40% non-take-up and there is less for Housing Benefit. I think for the disability benefits take-up for older people is around half as well.
Mr Treloar: For DLA and AA, the DWP had an unpublished report in 1998 which found take-up to be between 40 and 60%.

Q99 Chairman: Since 1998 it has gone up by £2.5 million. Somebody has done something right.

Mr Treloar: There are 4 million claimants for DLA and AA but there are something like 10 million people who are within the Disability Discrimination Act definition, so there is quite a large juxtaposition there, but it is difficult, is it not, to measure?

Q100 Chairman: Being disabled does not automatically entitle you to DLA, does it?

Mr Wheatley: It does not.

Q101 Michael Jabez Foster: You raised concerns in all your submissions about the lack of synchronicity, if that is the right word, in benefits delivery, particularly between the Department, the DWP, the HMRC and local authorities. Is there a model that could overcome that sort of difficulty? Do we just have to have a Department of Income Maintenance or something?

Mr Wheatley: There are pilots going on involving co-location at the local level of Jobcentres HMRC and local authorities. There is a pilot going on in the North East. The problem is you have different standard operating models for each of these organisations at the moment and Jobcentre Plus is very firmly down the telephone route. You have to look at a pattern of provision which would include co-location. It would include much better common systems and, where that is not possible, we need to have much clearer arrangements for closer, integrated working. They also, I think, need to have expert people at the front end who are able to understand the linkages and the different rules for Housing and Council Tax Benefits, Child Benefit, Tax Credits and all of the other benefits, and I think everything really points to this, the fact that even people in work have to understand the different reporting regimes for all those different benefits that I just mentioned. Better sharing of information, which Paul mentioned earlier; people just do not understand why, if they tell the Child Benefit section they have moved, the Housing Benefit section does not know that automatically. It is just beyond the wit of most people.

Q102 Michael Jabez Foster: Is it not the case that the DWP now do pass on the information to Housing Benefit, for example? I know in our constituency office we get people who have problems with Housing Benefit because the DWP have not yet passed it on, but the structure is there already, is it not?

Mr Wheatley: The structure is there and the intention is there to do it. It does not happen in all cases.

Mr Treloar: To pick up on Anna’s point around joint teams with the Pensions Service, certainly from the perspective of disabled people, we think that would be a good model in terms of things like fairer charging, for example, where people have assessments on their fairer charging for social care. One aspect of that is around encouraging benefit claims, but there is not the integration when you do get the local authority on board to get the local voluntary sector organisations on board and actively go to people’s homes and talk to them and walk them through these things. It is almost like back to the National Assistance Board in the 1940s, where people were visited in their homes. It makes sense for us if there could be some consideration given to tying up some of these things so people get one visit and are talked through the various aspects of what they are going to need to consider, help to understand these linkages and help to understand their responsibilities in terms of whom they have to notify and what they have to notify if there are changes down the line. It makes sense for the Department in saving money through errors and mistakes being made and people not understanding what they are taking on if they are making a claim for benefit, I think.

Q103 Michael Jabez Foster: It would be amazingly expensive, would it not, to have a team coming from different departments? Would you see one particular department taking the lead in that sort of information-gathering?

Mr Treloar: That is a difficult one. I think there is a role also for the voluntary sector. We keep saying to the Department that there is a role for doing a full benefits check for people at an early stage. That is something that CAB advisers do regularly now. If someone comes in, they have a debt they cannot pay, they are on a low income, the first thing to do is to find out whether they are getting anything; if so, what they are getting, what their circumstances are and whether it might be worth their while claiming something else. That is something that none of the other organisations in government do at the moment. Jobcentre Plus does Better Off Calculations but in our experience does not do them particularly well. If you phone the Tax Credit Office, they are not going to talk you through what your other benefit entitlements would be. The same goes for local authorities. So you get a very disjointed approach if you go just to one government organisation.

Q104 Michael Jabez Foster: It is not really the Department’s lack of synchronicity, is it? It is more a question of the benefit itself. Taking the example you gave of the Tax Credit Office, in the main, the Tax Credit advisor does not know how it is calculated. He simply presses a button and hopes it comes up with the right figure. That is not going to be aided, is it, by cross-departmental co-operation? Is it not simply that the benefits system itself is too complex?

Ms Pearson: I think the most important thing here perhaps is data sharing and I think many people already assume it is going on. For instance, a lot of older people we talk to say, “Well, I’ve done my claim for Pension Credit. Are they not going to check me for all these others?” They do not understand that there are all these different
departments in different organisations doing those things. At the moment, in a lot of cases, departments are not allowed to share that data, so in essence they are not allowed to pass it on and make things simple for the person. A classic example is the relationship between HMRC and DWP. Pensioners, when they leave work, for the first time ever they are out of the Pay As You Earn system, and immediately they then have to deal with things like self-assessment forms, which I think are generally acknowledged to be a bit of a nightmare. They also have to manage their own tax affairs. It would be perfectly possible, with the data that DWP holds on people, for them to pass that over and almost act as a proxy for an employer; they know the details of people’s income and actually PAYE could be operated in that way, using DWP as a proxy employer. There are lots of examples of where information could be used better to make sure there did not need to be HMRC officials on the ground doing that or the third sector stepping in as much. To integrate it completely might be very difficult but there are a lot of small things that can be done to link better between departments.

Q105 Justine Greening: We have talked a bit about some of the areas where we could have quite dramatic and also incremental simplification. Obviously, the Government is looking at this and there are a number of reviews happening. You have the Industrial Injuries Disablement Benefit scheme, Independent Living Fund, Disabled Facilities Grant programme, all being looked at, plus the Lyons inquiry, not forgetting, of course, the Benefits Simplification Unit. What do you think about all this? Is it ever going to get the action group bible of benefits and tax credits down below a thousand pages? Do you think we will ever get there?

Mr Treloar: Our Disability Rights handbook has remained at 288 pages for a number of years. So it is possible at a high level to summarise.

Q106 Justine Greening: A 288-page summary!

Mr Treloar: Yes.

Q107 Justine Greening: In font 6, presumably!

Mr Treloar: No, it is perfectly readable. It has to be accessible for our customers. We did raise this point in our response. We do think there is an absence of any high-level strategy co-ordinating this, and I think the piecemeal approach increases complexity each time. Sometimes, for example, the Benefits Simplification Unit will make changes to one particular aspect of the benefits system which can have unintended consequences on other parts. John mentioned the linking rules earlier on, where the linking rules have been extended for Incapacity Benefits to 104 weeks now, but there is a remaining Housing Benefit linking rule which does not fit the same model. Each time one change is made, it seems to pick up another one that needs to be made. We could do with more high-level strategy to make sure these things are more co-ordinated and do not produce those kinds of unexpected results.

Mr Wheatley: Within DWP the creation of the Benefits Simplification Unit has been a good thing. It has the merit of requiring policy proposals to be run past the Benefits Simplification Unit, so officials, if they are proposing a change, have to say whether or not this measure is simplifying or making more complex and justify it in some way.

Q108 Justine Greening: Was this in place for the Welfare Reform Bill, where they left a load of people on one existing benefit and created a new one?

Mr Wheatley: It was in place for the Welfare Reform Bill, so it demonstrates that the Benefits Simplification Unit does not necessarily have the last word in relation to changes; it can be overruled, either by people in the policy departments or by Ministers. Indeed, if they want to do something, they can, even if it complicates the system. Some of the things that were mentioned briefly in this year’s Budget show what the kind of approach is, which seems to me to be a slightly over-simplistic way of looking at simplification: the changes to buckdating: the changes to double-dating rule on forms whereby the claim will start from the date the Disability Carers Service receive it back, which might seem simpler but it is going to have unintended consequences for claimants who will not be able to get advice, for example, before putting their claim in so easily. Other things, like common paydays, might move in the right direction. With welfare reform, there was a missed opportunity to create automatic entitlement to free prescriptions for everyone on a low income receiving ESA, and instead leaving the position as now, where people have too go through the Department of Health’s Low Income Scheme in order to claim. We are now in this rather ridiculous position where people are entitled to free prescriptions if they are on Incapacity Benefit but if they do not claim that entitlement, they can be prosecuted for fraud if they tick the box that they are entitled to free prescriptions. That was a change that this Government introduced that extended the eligibility to those people but required them to claim it, so there was a clear opportunity in the Welfare Reform Bill to make that entitlement automatic which was missed, rather crazily, I think.

Ms Pearson: I think the real problem of the Benefits Simplification Unit that has come across in John and Paul’s comments is that it is simply not empowered to make any big difference to the benefits system. It has what I would describe as a relatively low status within the Department. It does not really have high-level backing and, to be honest, it can only look at specific measures which have no costs attached to them; it cannot really take a strategic view of the whole system and actually recommend proper changes which do not have these sorts of unintended consequences, because you do need to look holistically.

Q109 Justine Greening: It seemed to me that what was required for that Unit was to have a clear series of discussions about why complexity arose, possibly from bad processes, maybe to do with payment
dates, possibly from people doing duplicate jobs on information, probably then looking at IT systems, not talking when they could. There would be others on top of that. They then needed to look at each individual benefit agency and then go through a process of pulling it all together and looking at cross-agency changes. To me, that might have been a sensible way to do it, and then to have various options and opportunities costed up in terms of pros and cons, risks, which would have then provided a relatively robust criterion for saying yes or no to those rigorously sought out opportunities. In fact, what we have had instead was *Simplification: Guide to Best Practice*, which is a manual, and I think what we required was something more practical, in my terms.

Ms Pearson: I think it is profoundly disappointing actually. It has been nibbling at the edges. The Unit has no teeth and because it was not allowed to look at things properly and actually tasked with looking at, say, the Disability Carers Service, doing recommendations, it has had limited strength and I think you are right; it could look at the process issues within an area and cost them up, not only in terms of the cost of perhaps making a change but the costs down the line at the moment of that complexity. That has been very much missing in their analysis. You cannot make a business case without looking at what the costs are going to be down the line of not doing something.

Q110 Justine Greening: Moving on from that, we visited New Zealand last year to look at employment but actually, one of the things we talked to them about was this new Working Age Allowance that they are bringing in and it will then have some overlay benefits depending on particular circumstances. They are going down their route to try to simplify it. That is something even that the DWP talked about in its Green Paper. It talked about moving, in the longer term, towards a single system of benefits for all people of working age with appropriate additions. Do you think that is something that could work? You, Anna, talked about winners and losers, and when you talked about that, I think you got to the heart of the problem, which is in many respects, unfortunately, the politics around it. It is very easy to announce a nice, discrete benefit that will make a particular group of people who are going to get it very happy. It is less easy to do a simplification process where some of those discrete groups do not now get that benefit because they may be eligible for a larger piece of an existing other benefit that they get. Do you think we will be able to successfully move towards more of a single benefit with these overlays as is happening in New Zealand?

Mr Treloar: We would want some very robust modelling of winners and losers in terms of particularly disabled working age adults, because they are one group who have been moving more deeply into relative poverty over the last 10 years compared to people with children and compared to older people. There are issues around universality of disability benefits which we think could help to bridge some of that gap. So we are not against it in principle but we would be, as I say, very keen to see some robust modelling to make sure that the actual effects on disabled working age adults were taken care of. We have research which shows that disabled people have something like a £200 shortfall in terms of their extra needs, and the DWP’s own research from two years ago also found that disability benefits were failing to meet the extra income needs of disabled people. I take Anna’s point in terms of winners and losers, that the gains might be ameliorated by the losses to a degree, or vice versa, I suppose, but when you have disabled people in work in poverty, for example. I do not know; we are ambivalent at best at the moment around it. It is such a massive undertaking that it is difficult to think about it really at this stage from our point of view.

Ms Pearson: Just to clarify the losers point, what I very much meant was that if you simplify in a constructive way, someone may lose out by a few pounds, and I think the benefit of more people getting it there is very clear. If you are talking about bigger losses, it quickly becomes unacceptable because so many of the benefits are already set at a level which do not take people across the poverty line and which do not fulfil the costs that they have to cover in their daily life. Speaking from a pensioner’s perspective, I think the issues of take-up are more profound for that group. Some of the issues around income and measuring that are simpler but you can do the read across to the working age benefits. What has happened with Tax Credits recently has been quite positive, in that they now allow a longer period for which they are not going to assess changes in income so people do not have to report every single change as it happens; it is done more on a yearly basis rather than month-by-month, which led to so many overpayments. That is something that has been happening for some time in the Pensions Service; people’s incomes are only reassessed after five years and I know that is because pensioners’ incomes are more relatively stable but it does make change of circumstance much easier.

There are many ways of doing that.

Mr Wheatley: I would agree. It is such a “big bang” change that I think all groups would want to see some analysis of the impact before rushing to judgement. It is an attractive notion that you have a single benefit with overlaying things on, but it does mean scrapping what we have now and putting something else in place. It is much easier to contemplate incremental changes, and there are plenty of things which could and should be done to simplify in the short term.

Q111 Justine Greening: So your attitude would be that we should really push ahead with a series of incremental changes and see where that takes us and whether that can provide the benefits before looking at something more dramatic?

Mr Wheatley: Yes, I think you should look at groups of benefits that go to the same people and work out how far you can match up the rules, how far you can get rid of different requirements on reporting changes of circumstance, for example, between
Housing Benefit and Tax Credits, how far you can get rid of the different rules and treatment of childcare costs across benefits, how you can make the experience of pensioners, working age people, people with families and children and disabled people, how you can match up the experience of benefits for them more easily. That would then allow you to move to conceptualising what a single working age benefit would look like, rather than starting completely from the other end, as I think perhaps David Freud tried to do, and worked out that he needed at least a year to restructure the system, rather than starting from an intellectual point and saying “That is our starting point; what does the system then look like?”

Q112 Justine Greening: One last, difficult question for you all. We have talked about take-up and I do think there is possibly a play-off between improving take-up with a more cynical approach, but at the same time there are winners and losers. What is more important to you: 100 people who lose a few pounds and maybe a bit more than that but then 100 people who get take-up who had nothing before and now get a benefit and understand it, and all of those 200 understanding what they are now getting and why? Is that better or what we have now, where the 100 do not get anything, and the other 100 maybe get a bit more than they might do if we had a more simple system that perhaps was not quite so refined to take into account every single need that they had? 

Ms Pearson: For pensioners I would take a slightly different point of view in terms of incremental change versus radical. I think you do need a radical change. A lot of effort has gone into promoting the system as it stands and to trying to get help to people. There is more that could be done, definitely: there are more slight changes that could be made and they should probably be done in the short term, but we do need to radically look at this. We cannot let millions of people go without. If it did come down to some people losing a couple of pounds versus people getting money that they have never had before, I would definitely go for the latter. There is a particular issue around ethnic groups and minority groups, who we know at the moment are not claiming benefits in particularly large numbers. There is no official data on it but all the evidence seems to point to that. It is very hard to get to these communities and it really takes a dedicated person to gain the trust of people, take them through it and that can take a period of years. We have a project working with Somali refugees in Manchester, which has taken years to deliver. It is the only way of getting to those people. I think we are seeing a growing diversity in our population and soon a growing diversity in our older population. We need a system which can deliver for those people, and that is not to mention people who are profoundly isolated or housebound. For me, only a system of either automatic payment of benefits would work, or of course, our ideal preference would be that the state pension was automatically up to Pension Credit. That has always been our ideal choice, but we are working very much within the bounds of what is perceived as being possible at the moment.

Mr Treloar: I suppose in terms of benefit levels, if that proposal were taken forward, we would want to see the work that Joseph Rowntree are doing currently on minimum income standards also being incorporated into any kind of proposal such as that to increase take-up at the expense of some people losing a few pounds, to make sure that the loss of that few pounds does not take people further into poverty, because there are not any minimum income standards within the benefits system, which we think is . . .
on a low income, they are still entitled to HB but every time their earnings or their hours change, their HB entitlement changes. There is simplification which would have rough edges that could be quite easily contemplated because of the benefits.

Q116 Chairman: Can I make a couple of observations? Presumably, all three of you welcome the fact that it is no longer a disciplinary offence in DWP to give benefit advice to claimants, which it used to be 10 years ago?
Mr Wheatley: Yes.

Q117 Chairman: Secondly, on the New Zealand experience, what we were also told was that the timetable had slipped significantly and that the underlying philosophy of a single age benefit was under question, so there is no guarantee it is going ahead. On this question of winners and losers, much of the complexity in the system, both in the rules and regulations and administration, comes from legacies of previous benefits and systems. When there is a major benefit change like ERSA, what would be your view on, if you like, buying out people’s rights to stay on whatever they were on before and move to the new benefit, so there may be a weekly cash loss but they get a lump sum of £1,000 or £2,000 or whatever? Would you have a view on that?
Mr Wheatley: I think it is something that is worth considering. It is certainly a lot easier than having transitional arrangement upon transitional arrangement. We are still administering all sorts of different Incapacity Benefit predecessors for people, and I think it would be quite a difficult judgement for people, a whole new area for advice.

Q118 Chairman: You keep making a bid for CAB staff. I have got that. We would maintain particularly IT systems to deal with legacy cases that generate their own problems.
Mr Wheatley: It would be an interesting development.

Q119 John Penrose: Chairman, on that last point, I understand that the Benefits Simplification Unit has actually done some calculations on precisely that cost and it would be very interesting to get that information as part of the evidence for this Committee if we could. Can I just pick up on one point you made in response to some of Justine’s questions about the single working age benefit. I have difficulty understanding why a single working age benefit with additional things that you can apply for in specific cases would be inherently any simpler than the system we have at the moment where you apply for individual benefits. Why would it be inherently a simpler process, to start off with?
Mr Wheatley: You are absolutely right. At the moment we have a benefits system and regulations and we also have a fairly substantial body of case law because of the structure of the benefits system, with its commissioners’ decisions and judicial reviews and all the rest of it. You have a raft of different rules that have grown up over the years and you can imagine that, even if you swept the slate clean, you would still have to have those rules which fine-tuned the targeting of payment to individuals and families and that would in itself grow over time.

Q120 John Penrose: So it is not just the accumulated encrustation of rules. If you are going to have additional things on top of a single working age benefit for specific eventualities and specific circumstances, you are going to have to have an application process for each one of those specific eventualities, and that is going to mean in the end, unless you actually stop paying money to any particular group of people and decide they are not going to get it at all, you are going to have to have just as many forms and just as many types of application process for the top-ups as you have at the moment for the existing system.
Mr Wheatley: Yes, and this is where the attractions of the idea of the citizen’s income come in, I suppose, so that everyone gets a certain amount and there are departures over and above that. It removes the need for very top-heavy income-related schemes targeted at those on the lowest incomes.

Mr Treloar: I think that is where with means-tested benefits the problems arise, because they look to exclude people from entitlement, and the interactions between means-tested benefits, universal benefits and contribution-based benefits. That is where the problems start arising. If there were more universality within the benefits system, trying to include people, and, as I said earlier on, the DWP looking to identify entitlements rather than relying on people to identify those entitlements themselves, you could make some gains but that requires the political will. It is almost the converse of Justine’s point; instead of winners and losers, there will be winners and bonus winners, if you like, people getting even more than they anticipated.

Q121 John Penrose: The losers will be taxpayers.
Mr Treloar: Peter Townsend has done some modelling which has found that the countries showing good economic growth are the ones where there is a greater redistribution of income but it actually pans out as having a 43% basic rate of income-tax across the board. If you take that, I will be surprised.

Q122 John Penrose: How many people voted for him?
Ms Pearson: I cannot really comment on the single working age benefit in detail but I think if it helped make it such that there was one access point for people and they gave their information once rather than several times, that would be very positive. It may be that there are other ways of achieving that.

Q123 John Penrose: That is going back to the incremental point rather than the single working age benefit point, but there is inherent approval. Can I ask a few questions about incentives and disincentives to work? I want to make a distinction between fact and myth, if you like, or reality and myth. There seems to be a great degree of fear amongst claimants that going back-to-work may
disadvantage them, and I will come on to why that perception is created in the first place, but before I do, can I just ask about the reality of what, in your view, is the extent of disincentives to work in the existing benefits system. Have they largely been ironed out or are they ubiquitous and all too common with the interaction of benefits at the moment?

**Mr Wheatley:** It is difficult to answer that without making reference to the fear that people have about making that transition, especially when you are talking about people for whom the jump into work is going to make at best a very marginal difference to their household income. The need for them is a very fine and accurate calculation about how their spending and income is going to change.

**Q124 John Penrose:** Assume for the moment that we have a perfect information environment—I know we do not—and that everybody has a perfectly worked out Better Off Calculation so they can make a perfectly logical financial decision. How many people and in what circumstances would make a decision that it is not worth their while going back into work?

**Mr Wheatley:** I struggle to drum this in to government officials, that there are still people for whom it is not financially sensible to move into work when you look at the perfect information, because they are moving into a low-income job, they have childcare costs and they lose free school meals or other help they might be relying on, and they have travel to work costs. If the calculation is done correctly, for many people, the only reasons for moving into work are the non-financial ones, about it being good for your self-esteem and being good to go and mix with adults for a change and being good in the longer term for your career in the hope that you might progress. We see many clients who, even when told “You are going to be £20 a week worse off” will still say “Yes, but I prefer to work.” There are some who will make that decision but they prefer to make it in the certainty that the calculation is right and not, as some complain to us, that the calculation done by Jobcentre Plus has entirely missed, for example, what is going to happen to their Housing Benefit.

**Q125 John Penrose:** I want to come on to the accuracy of the calculation in a minute but what I am trying to get at is—and forgive me; I do not know if your evidence already includes this—do you have a list of the interactions and the numbers of people who are going to be objectively financially worse off which we can check?

**Mr Wheatley:** We do not have a list. I think we have examples of where it happens which we could let you have.

**Q126 John Penrose:** Do you have any sort of quantification about how many people are affected and how severely?

**Mr Wheatley:** I do not think we do.

**Q127 John Penrose:** It would be very helpful to have the examples. I am just trying to find out if either of the other two of you have any sort of quantification of the extent or reality of this problem as opposed to the perception at this point.

**Mr Treloar:** I do not think we have a quantification but we do have views on things like the cliff edges within the benefits system, the rather inflexible rules around work, the interaction between things like permitted work and earnings disregards and so on, which do strongly mitigate against people doing temporary pieces of work, casual work or whatever. There could be much more flexibility built into the system that would encourage people to try out some of these things, I think. I would also point out from the point of view of disabled people—and hopefully this is going to be picked up under the Employment Support Allowance—there are often other barriers which are as, if not more significant in terms of moving into work around direct and indirect discrimination that definitely need attention if the benefits system is going to look at making work the best route out of poverty; it needs to be much more holistic than simply Better Off Calculations are and so on and explanation of the rules. There is a whole raft of . . .

**Q128 John Penrose:** I am still hearing that better information would help and I am completely in agreement with that point. What I am concerned about is that nobody seems to have any sort of quantification about how many people are affected and how badly by the objective function of the rules which make them less well-off if they do go into work. Anna, can you help me out here?

**Ms Pearson:** I wish I could. I think it would be very useful information to have. It is probably the kind of thing the Government holds. For pensioners, obviously, the situation is quite different. People are not facing an 85p in the pound withdrawal rate or potentially being worse off from working. What does happen though is that there is a £5 limit on the amount you can earn in a week if you are on Pension Credit, so you are only allowed to earn £5 a week and then straight away your benefit starts to be removed. We are seeking to get that changed within the scope of the Pensions Bill because, even though people might not want to work once they are past state pension age, or might not be able to work, it is an important principle. If we are for people working longer, and we want people to get involved in active ageing, we should not be preventing people from doing really small part-time jobs every week that might help them keep integrated in their communities and offer a whole load of benefits. We are also pulling away a ladder for people by which they could potentially improve their quality of life. Similar issues apply to equity release, where if you release equity in your home, which you are often asked to do for a number of different things, you will lose your benefits. In both these cases we need to get better at making sure we do allow people to improve
their quality of life. And I think there is a great read across there to working age, where, frankly, the situation seems pretty terrible for a lot of people.

**Q129 John Penrose:** If I can move on to the myth, which John has had a manful attempt at answering already, is it just a question—I think, Paul, you were saying it is not just a question—or is it mostly a question of improving the quality and ubiquity of Better Off Calculations or is there more that needs to be done in order to allay the fear that going back to work is it somehow going to make people worse off?

**Mr Wheatley:** There is a substantial problem of poor administration of benefits which does mean that people are very reluctant, particularly to take work which is likely to be short-term. We see people who are regularly offered jobs which might only last six or eight weeks and it is not worth coming off benefit for that amount of time because it is going to take much longer than that to get back on benefit. You are sentencing yourself to struggle for probably a couple of months without any income if you do take that job, with knock-on effects that follow it. For lots of our clients on low income, what they need is certainty about what is going to happen. They know that interacting with Jobcentre Plus is not necessarily going to provide them with that certainty, as well as the problem I mentioned about incomplete calculations from Jobcentre Plus and the different reporting requirements for different systems.

**Mr Treloar:** There are three discrete areas which could require attention in terms of that transition. One is Disability Living Allowance. We hear quite regularly of people moving into work having their Disability Living Allowance reassessed very shortly after moving into work, despite the fact that that should not make any difference. We do not know what the reasons are, whether there is some policy within DCS to undertake those kinds of reviews because they feel the person’s condition has changed, but we would like to see something like a six-month guarantee that moving into work will not affect Disability Living Allowance. We think that would help encourage people to overcome that fear. Housing Benefit: I think the information could be better to help people understand that you can keep Housing Benefit when you move into work, because I think people think it stops automatically because it is passported with a means-tested benefit. The really fly in the ointment as far as Better Off Calculations are concerned is Tax Credits. I am not sure anybody can give a robust Better Off Calculation in terms of Tax Credits at the moment—not HMRC, not independent advisers—because you are guessing; you are guessing about further changes down the line, you are guessing about an end of year income. It is a really big issue in terms of those transitions and changes in income for parents of disabled children, who are really worried about being landed with big overpayments at the end of the year. Those are three discrete points that I think could have attention paid to them that could overcome a lot of those disincentives.

**Ms Pearson:** You do not really get Better Off Calculations for older people going on. It is normally a lot clearer than it is for those of working age that you will still be better off, but the potential for complexity to be imposed on you as a result of your choice to maybe take a job for three or four hours a week would potentially put people off doing that. I think it is a shame when you have to talk in terms of Better Off Calculations because, in my mind, it should be quite clear that you can be better off from working. The whole fact that you have to have one is a bit of an indictment of some of the benefits.

**Q130 Chairman:** Do you think the option of deferring your state pension is clear enough to prospective retirees?

**Ms Pearson:** I think it is becoming clearer but a lot of people are quite surprised by a tax load of the information they receive when they reach state pension age. For instance, if I can use the example of my own mother, she had no idea that she had to work 39 years in order to get a full basic state pension. I think there are many people in that position. The letters that are sent out are quite difficult to understand, at the very least, and sometimes the option to defer is only part of that letter and comes further down. I think people could probably do with more help with that process and more advice, particularly in terms of tax implications, because with all the tax issues for older people, HMRC is operating in a vacuum at the moment. It is not integrating with DWP. There is no written information any more from HMRC for pensioners and tax. It has not been integrated into DWP leaflets. There is a real lack of information about whether you could potentially be better off or not.

**Mr Wheatley:** Could I just add, Chairman, that we have seen people in the past who have not fully understood what deferring means and assumed that it means they do not have to make any contact, that they can defer claiming their pension, when in fact what they have to do is contact the Department and tell them that they are deferring claiming. Some people have lost out as a result of it.

**Ms Pearson:** Though I think now they have moved to a system where not hearing from you, they do defer, I believe. I am not quite sure.

**Q131 Michael Jabez Foster:** I would just like to come back to what you were saying. In fact, John has really interrogated you quite well on what I wanted to ask. I can understand the benefits security argument where we are uncertain, but is your charitable organisation’s emphasis on “You may be worse off” not counter-productive? I have gone through this with lots of constituents and I have never found one that is worse off if you actually work out. My empirical evidence is that nobody is ever worse off by going into work. Having said that, someone with seven children and all sorts of other things may exceptionally be, but it is so rare, and what I am really asking you is can you give us examples of where that can possibly happen,
because I do not know any, and you are saying “We don't actually keep them.” I would like to know, because I think that is probably not very often the case, and we need to be absolutely clear and the emphasis needs to be on ensuring people that they are going to be better off. There may be an argument about how much better off, and I understand that, although I think that is a social issue about if you are tuppence better off, you should be working, but the important thing is to get that message across. What do you say to that?

**Mr Wheatley:** It is our responsibility to give people accurate information on which to base their own decision, and we can certainly supply you with the examples. It is typically lone parents who are contemplating moving into work at the minimum wage, who will also have childcare costs and associated travel to work costs, for example, and who may lose income-related benefits, including free school meals. There the calculation is very marginal and indeed, some people can be worse off. What we have not done is quantified the extent of that, but certainly not receiving Child Maintenance and moving into a job at minimum wage are likely to be the trigger points, and the calculation has to be done very carefully to make sure you are not missing anything. Do not forget that help with childcare is only for registered childcare, and a lot of the work that our clients are moving into is evening, weekend and other kinds of work for which there is not any help available. So we have to be careful to take into account any costs that they are going to have to pay friends or relatives or other people, babysitters, for example.

**Q132 Michael Jabez Foster:** I understand that but that is the particular job. That is the point. There may be a particular job that is not worth doing but at the same wage a different job that almost certainly is. There is always an example: if you have to fly to New York every third Tuesday it will not be worth it but for most people... The point I am trying to make and ask you about is whether your attitude in suggesting to people they may be worse off is not frightening them into not actually accepting that in almost every situation they will be better off.

**Mr Wheatley:** People are coming to us because they want to find out what their options are and because they have been offered the chance of increasing their hours or taking a specific job. Very few of them are being offered jobs in New York. We are dealing with real-world situations, where people are looking at what vacancies there are and what is open to them, and most of the lone parents who we see, I have to say, do want to move forward. They do not like living on benefits. It is not a comfortable existence for them and their families and it is in their interests and it is our advisers' interests to give them the best possible advice to move forward, but we are not going to say to them glibly that you are always going to be better off in work if the figures do not stack up.

**Michael Jabez Foster:** That is the question, is it not, whether they do? We will await those examples.

**Q133 Chairman:** John, honestly, this is not a cheap shot: is there any average waiting time for an appointment at CAB to have this sort of check done?

**Mr Wheatley:** We do, as you well know, have access issues and CABs have different systems for seeing people. We are experimenting with different systems, including telephone advice, diagnostic advice.

**Q134 Chairman:** It sounds very much like DWP.

**Mr Wheatley:** We are going down that road, yes. We are looking to try and introduce by 2008 a single number for advice, but the fact is there are only so many people and a full benefit check, a full calculation, does take a bit of time. You are talking about at least an hour and if it is a DLA claim, it is a couple of hours. We are looking to be a bit cleverer about who we see and what kind of service we offer them, whether we offer just self-service of information on websites and so on. We are looking at different ways of doing it.

**Q135 Chairman:** Again, I go back to the earlier point about how many millions of people are not claiming this, that and the other. There are still about 29 million people claiming a benefit, excluding Child Benefit, and the vast majority of those never, ever go near an advice centre.

**Mr Wheatley:** Where did you get those figures, Chairman?

**Chairman:** I did this job for 10 years, do not forget, John. There is that issue about patchy advice around the country, even where it does exist, but there are areas where there is none. We must move on. Thank you very much.

Witnesses: Mr Steve Broach, Campaign Manager, Every Disabled Child Matters, Ms Janet Allibeson, Policy Advisor, One Parent Families, and Dr Paul Dornan, Head of Policy and Research, Child Poverty Action Group, gave evidence.

**Chairman:** Good morning and welcome. I have seen grimaces, smiles and questioning looks. You have seen where we are so far. Welcome to you all.

**Q136 Greg Mulholland:** I would like to ask you a couple of questions about complexity, which obviously is the issue that we are looking into, and benefit simplification as a whole. The first question I want to ask you is: to what extent do you think complexity in the UK’s benefit system is inevitable and which elements of complexity do you think should be retained to meet the needs of the particular groups that you all represent?

**Dr Dornan:** From me at least you might get a degree of unanimity with some of the messages that you were getting from the previous session. I think I would stress that, in terms of the question about whether it is inevitable, whether it is a necessary element of the system, complexity is no benefit *per se*
but there may be reasons why it is there, I think particularly in areas around meeting complex need and need that is difficult to measure, particularly around health and disability, there is a clear need for complexity, although there is another question about the systems that administer that complexity, and there is a question about responsiveness to meeting complex need. I would re-stress something that came up in the previous session about the extent to which complexity is very much tied up with the way in which systems seeks to exclude certain groups. I think it was interesting and illustrative that most of the previous session was discussing income-tested and disability benefits. It was not discussing Child Benefit, it was not discussing the more universal ways of doing things, which are much simpler usually, with the exception perhaps of Disability Living Allowance. So it is no benefit per se but it may be necessary in terms of meeting some needs. I would say that there are aspects of the system which really could be gone through. As a very quick example, I am told that there are four different rules for backdating. Four different rules sounds a bit excessive to me, particularly given the difficulty of interpreting those different rules in different cases. It takes up people’s energy, and it takes up administrative energy and time. In relation to that perhaps it links to the point about exclusions, that as well as exclusions, part of this is tied up to the extent to which a lot of elements of the benefit system are very mean, that part of the reason perhaps for those four different backdating systems is because whereas one might be a longer backdating period than the other, there is some administrative or policy wish to cut down the period that you backdate. So I think some of the complexity may also be tied up in that degree to target very restricted resources, and if we are looking to simplify without creating lots of losers, perhaps we want to be addressing the amount of money we are putting through the system as well.

Ms Allbeson: Looked at from a distance, the system is very complex but looking at it closer to, different benefits have grown up for different purposes. Contributory benefits are not necessarily particularly about poverty but are about sharing collective risk. You need Jobseeker’s Allowance when you become unemployed perhaps simply to take you between jobs. You want to save money when you are in work to enable you to survive when you are out of work or if you are sick. Contributory-based benefits can help workers in that way. Child Benefit is a good example of a benefit that is there to represent the state’s contribution to the cost of raising children. Then you have benefits which are about poverty, and they all exist together but they have different purposes, and arguably, when you look at them more closely, are needed. To that extent, what appears from a distance to be a soup of different benefits, they do actually serve different purposes and are valuable. Where I think complexity does help my client group, lone parents, is around, as Paul says, complex needs. It is the lone parent with the disabled child who needs extra help. She may herself be depressed or whatever. She may suffer from disability herself. That needs to be recognised. One area in which it is a double-edged sword is the extent to which this Government has been experimenting with various pilots, trying things out, lots of what look like very good ideas, which are only in particular bits of the country, say. The In Work Credit, which exists in quite a bit of London, really does help but it is yet one more add-on to something which is universal, put in there to see if it will help. You were asking at one point about who is better off in work and who is not better off in work. This is an attempt in London, because London is an area in particular where lone parents really struggle to be better off in work if they are on a very low wage, to look at that with a pilot and see whether you can make a difference. So that adds complexity but obviously, for lone parents in particular, it can benefit them.

Mr Brough: For our families, the Every Disabled Child Matters campaign represents around 770,000 families with disabled children in the UK and those families need support because they generally have lower incomes and all face additional costs in relation to bringing up a disabled child. I think our concern would be for complexity that prevents those families from accessing the financial support they need, but at the same time, we are in favour of complexity that differentiates between different levels of need and allows targeting of significant levels of financial support to those families who have the greatest levels of need. When Parliament had a series of hearings last year, which several members of this Committee were very involved in, over 50% of the submissions said that current benefit levels for disabled children were poor and if we are going to target large amounts of money at families with high levels of need, I think the system has to tolerate complexity, because politically and socially it will not be acceptable to do that without some differentiations. So we certainly in our written submission urge the Committee not to sacrifice complexity on the grounds of increasing focus on need.

Q137 Greg Mulholland: In light of those comments, where do you stand on the idea of fundamental change to the benefits system, for example, a single core benefit? Do you think there are possibilities that fundamental reform, which could be a single core benefit or could be other fundamental reforms, could create a simpler and better co-ordinated system?

Dr Dornan: I myself am slightly agnostic, interested but with quite a few concerns about that fundamental way of looking at the system. I think it would be fair to say, as I think Janet was saying, that the benefits system is not complicated for no reason. It has grown up to meet complicated need. What particularly interested me in the previous session was the fact that the questioning started on the issues around the single working age benefit, around the fundamental reform, around the difficulties, and then went on to why we are going to do it, what the implications are about how the system has met complicated needs, so why would you expect it not to go back to trying to meet lots of complicated
need? Looking at fundamental reform is absolutely right, though I hope we will get on to quite a lot around the incremental stuff which is being done, at least in the meantime, and should not wait on fundamental reform. Getting at that issue about why it should be any different in the future under some kind of glossy new fundamental reform I think is quite important and I am a bit cynical that I do not see that having been proven yet.

**Ms Allbeson:** I must admit to being really perhaps slightly head-scratching about what the single working age benefit actually is, in that I cannot quite work out where it sits within Housing Benefit, Council Tax Benefit. Are they still going to be there? What about the Working Tax Credits, Child Tax Credits? A lot of the attempts to simplify are someone sitting down, looking at a piece of paper and saying "Gosh, this looks terribly complicated. Let’s just make it simpler" without thinking through the implications. Tax Credits itself was introduced partly as a simplification of benefits for children. It has not worked out like that. Child Support, the last wave of reform, was all about simplification. It has not worked out like that. One of the things that is very rarely done is to think really comprehensively both on a policy level right through to implementation level about the interactions between all of this. The muddle that has been put forward for a working age benefit is floating through the middle. It is not taking into account this wider picture. What is coming through to me very strongly today is that you have to look at this. It is very complicated. It is like three-dimensional chess and at the moment just within the Department. But it is not just the Department; it is HMRC as well, and Child Support—where big IT systems are being developed, lots of people are developing very grand ideas, but there is no attempt to really engage with this very complex bit. It is the policy level, but it is also right down to delivery.

**Mr Brough:** If you took our families as an example, a single working age benefit would need a disabled child premium. The disabled child premium would probably have to be differentiated, perhaps into a higher, middle and lower rate, and then you have basically replicated Disability Living Allowance. I think very much, as John was saying in his questioning, it may be useful to have a single access point for families to be able to process all of their benefit and income support entitlements, but in terms of the administration, you probably still need expert teams in each area anyway. So you might spend an awful lot of time and money replicating the existing system when it came down to brass tacks and to delivery.

**Dr Dornan:** May I just add one further thing on the flipside, which is that one problem that we do have in terms of multiple systems operating in parallel is differences in the principles with which we develop rules for different systems, and I suppose one advantage if you are looking at it with a more holistic view, but through one structure rather than three, is that we might get more commonality of rules, and more commonality of rules might, say, help the Tax Credit administrator know that a given way of processing whatever also applies to some other need. I think there might be some benefits there but I would agree with everything that has been said aside from that.

**Q138 Mrs Humble:** First of all, Steve Broach mentioned the parliamentary hearings that we had in this place last summer, and I want to place on record that, together with Tom Clarke, we led on producing these reports and so worked very closely with Steve and the consortium of charities supporting children with disability. One of the issues that came through very strongly in our hearings was the complexity of the system from the claimant’s point of view. I would just like to explore that a little further and begin by asking you a question that Natascha Engel asked of the previous witnesses, which is where in the system is there greatest complexity? Is it in making and verifying the claim, in maintaining the claim or in dealing with changes of circumstance, or is it all these simultaneously?

**Dr Dornan:** Can I add a stage to that, which did not come up when the question was asked before, which is that you are not actually making a claim; you are on the outside of the system, you might have hit a crisis, you might have had a change in your life that might bring you into entitlement, but then how do you know what you might be entitled to? This point did come up in the previous session in terms of people presenting to CAB or to Jobcentre Plus and then asking the question. One of the problems of complexity is that, if you have a very complex system and you are viewing it from the outside, how do you know what you might be entitled to? For example, a presumption that you might not be entitled to something because you are a home owner, those sorts of myths, but myths that are bred from a very complicated system. There are clearly stages that people go through in terms of their claim before the claim knowing that something might be there. Making the claim is clearly a difficult process, and I agree that a lot of people go through that unassisted. How they make their way through that process is, to be honest, a mystery to me but that is clearly a difficult process to go through. It may be less complicated if it is a well administered system while somebody is in receipt and whilst their circumstances do not change, but then the other set of difficulties is when something does change, when you have to report a circumstance change or whatever. What happens when something goes wrong is another serious issue, because one of the questions that I suppose we keep coming back to is the extent to which you can manage complexity, that good system design in terms of good delivery might be able to shield people from complexity, and I think that is true. But fundamentally, it does not get round the problem that if some problem bred from the complexity leads to a delay, that would impact on the claimant under any system. So I think it is end to end complexity, but the things that I would particularly highlight are complexity before you are ever in and therefore how you work out how to get
into a system if you need to; the process of application, dealing with appeals or any problems on that side; and when something goes wrong.

**Ms Allbeson:** I like the idea of a user-led approach to resolving complexity because I think too often civil servants are looking down the other end of the telescope and are thinking about how they can simplify it for IT purposes or for cost purposes and the knock-on total effect on claimants is not really considered. As for at what stage it is most complex, I think there are problems at each stage. I would like, for instance, a really good scrutiny to be made of error and overpayments, to really drill down into what did go wrong in all those cases, why people made a mistake, whether the overpayment was because they did not realise they had to tell someone about something. You could find out a lot. You must know this from your constituency work, just blunders of people not understanding. It is a new form of analysis that really has not been done. I think the Simplification Unit has barely scratched the surface, to really bear down on an analysis of the system from the claimant’s perspective and to then feed that back into what would work, what changes are needed, and a more incremental process. That has to be a powerful driver to counteract the other drivers that exist in the system on cost grounds, IT grounds, and people thinking up a fantastic new service, where how it works or whatever. Those are very big drivers, and policy because they want to get more people into a system if you need to; the process of application, dealing with appeals or any problems on that side; and when something goes wrong.

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Dr Dornan: I do not think I have anything earth-shattering to add to that. It does go back a lot to data matching, as I think is being described. The thing I would add to that is real-time data matching. We do have a lot of system sweeps going on, particularly for passported benefits: X department sweeps the system to see who is getting X benefit and then to work out entitlement. The need to have systems able to update each other in real time is really quite important if you have changes of circumstance going on. There is quite a lot of potential. Clearly, as Janet says, it is a long-term project and has been embroiled in myriad problems, technical difficulties and organisational difficulties in just operating across processing. It is just one tiny bit of a process to make the system able to input their changed circumstances. Our concern is that that can only really effectively be delivered locally.

Mr Broach: You can fine-tune the system and you should, but with all the problems and challenges that it raises, you still need families to know that they have to update the system. Families need to have a way to input their changed circumstances. Our concern is that that can only really effectively be delivered locally.

Q141 Mrs Humble: Finally, can I just challenge the underlying assumption in your submissions and in fact much of the evidence that we have heard this morning, which is that it is okay to have back-room complexity so long as the claimant experience is one of simplicity, however that is achieved? That sounds very reasonable but, if you have too much complexity in the back room, that in turn can lead to errors. Janet, you mentioned the CSA. One of the drivers for reform and simplification of CSA was the horrendous rate of mistakes by CSA staff because they were trying to implement a system that was hugely complex and that nobody could understand. It is actually a bit more complicated, this balance of what is happening in the back room and what is happening at the front desk.

Ms Allbeson: I have been involved in doing social security for a long time, used to write the handbook, taking cases with the Commissioner, doing tribunals, chairing tribunals on social security. Social security law is complex. There are a lot of decisions that have to be made but the model that is adopted is one of trying to reduce everything to data processing. It is all about pressing buttons. The reality is that you have to understand the rules behind the pressing buttons and the cost pressures on the Department, which in a sense I suppose are inevitable, but it means that you have really fairly basically trained staff doing clerical tasks and they do not understand or they cannot explain what they are doing. It is just one tiny bit of a process to make a decision and, in a sense, maybe there is a need to think that through, whether in some ways the service would be better if more thought went into who is delivering it and the quality and the level of the staff who are taking some of the decisions on it. It is complicated. Yes, you have to have systems that are manageable by staff but you also have to look at recruitment and pay for staff in terms of the quality of staff that you are actually asking to do quite difficult jobs.

Mr Broach: I would echo the training point for staff and the quality of staff point, but I think also a very useful role of the Benefits Simplification Unit would be to look at, from a customer’s perspective, why we have complexity in the system and almost to be able to explain every single element of complexity on the basis of how that benefits the consumer and how that benefits the potential claimant, and therefore you would end up with a system that was focusing on high levels of need, not on complexity to eliminate entitlement.

Dr Dornan: If I could very briefly comment, I think your question is in part very fair, that clearly back-room complexity, if it is totally unmanageable, undoubtedly creates front-room problems for people and for families, and so to that extent there is absolutely grounds for looking at whatever you can do in terms of reducing that level of complexity per se. I would agree with that entirely. At the same time, in a system which, as has been perfectly adequately demonstrated, we do need some level of complexity to meeting complex and difficult need, that does take you down the delivery line. So I give you a bit of a mixed answer. You are absolutely right that there are aspects of complexity. I have given one example around backdating. Another one is around the way in which decisions are changed, supercessions, and I am told by one of my colleagues, who should know, that it requires 34 paragraphs of law to tell you how you change a decision, with about 65 subparagraphs to at least one of those clauses. That feels to me to be too complicated and that is bound to cause a chain of problems and difficulties managing that. So yes, that needs looking at. At the same time, to take that logic and to say you must make a system that is so simple that it can be very easily administered does rather suggest to me that you drive the system to its absolute minimal level, and that is not going to be adequate to deal with the complicated needs Steve is describing. I think.

Ms Allbeson: One example, I think, is benefits for people from abroad, where there are very complex rules governing asylum seekers, people from accession states, European workers, which are really quite a tricky subject and tax people with a lot of knowledge and experience. That does require decision makers inside the Department who can do that.

Q142 Miss Begg: Joan did mention that someone else was going to ask about a single point of contact, and it is me. All of you have raised concerns about the lack of synchronicity in benefits between DWP, HMRC and local authorities. How do we bring that together? How do we make it simpler in the medium term? Is the answer for the other groups that Steve has mentioned the key worker for an individual? Would that work across the lone parents and other groups as well, or is it merely something which would work in terms of disabled families?

Ms Allbeson: One-stop shops have been a sort of Holy Grail. I have been around since the days of Michael Bichard, when he ran the Benefits Agency, and that was one of the goals then of the benefits system. It has proved very hard to put into practice;
that is the truth of it. Clearly, because of different institutional imperatives going different ways, you have however many local authorities there are administering Housing Benefit in their own way locally. It is right to try and build much closer links. I think it is a goal worth having but I think it is very hard to achieve. Steve’s model: I think there are particular groups who we know are have complex needs; people who are disabled who have a disabled child are one group in particular. There is a whole cluster around all the problems of going back into work where you could put in people to guide people through that. One could look at pinch points as one incremental way forward towards a greater goal. It is very hard though.

Dr Dornan: If I could very briefly add to what Janet said to that, I absolutely agree. The one thing that I would add is that if you are a claimant approaching a system, the natural assumption and I think the entirely reasonable assumption is that if you are going to the state, to Government, to public service, if you are going for some kind of assessment, giving some information, that that information will be shared. I think that is the assumption and I think that is where claimants would quite reasonably naturally start from. The fact is that there are all sorts of institutional, historical, difficult reasons, which I entirely agree are clearly there and will make reform very difficult, quite understandably, but from the claimant’s point of view, the system should be much more joined up, and so looking at it that way, it has to be the goal we should be aiming for. That is not to deny any of the highly difficult issues in terms of getting to that point. However, it should be the goal, I am sure.

Mr Broach: I would just add that a lot of what this Committee is looking at is difficult, expensive and time-consuming and if time and money is going to be spent, we would rather see it spent not on radical system reform, which is a very uncertain outcome, but on take-up campaigns that really promote the existing entitlements to families, and on delivery reform at a local level, because surely it is not beyond the wit of Government to develop a system where an individual person can advise an individual claimant on a holistic level about all of their entitlements to support. CABs already do that from the voluntary sector perspective, and surely the Benefits Agency could deliver the same level of support locally, without needing to completely transform the system with all the potential unintended consequences that flow from that.

Ms Allbeson: It is also having intermediaries that people are brushing up against. Even simple things like having a baby, making sure that all the other professionals that someone comes into contact with are telling them how to deal with the process and plugging up to them their entitlement. For example, you can qualify for the Sure Start Maternity Grant if you are getting Child Tax Credit, even if you are not on benefit. Most people assume it is on Income Support. If it is your first baby, you do not get Child Tax Credit until your baby is born. You put in your claim for Child Tax Credit and your claim for Sure Start Maternity Grant and the Maternity Grant might be turned down because you still do not have your Child Tax Credit. You have to know to reapply, to put your claim in and then reapply, and in a sense, it is other people who can tell you that. Word of mouth is very important, that the health visitor, someone in the doctor’s surgery, is thinking about the outlets that people do brush up against that can really check them off and give them a helping hand along the way.

Q143 Miss Begg: How realistic would that be, Janet, to make sure that health visitors know when they visit the mother of a new baby, to say, “Oh, by the way, here are a few leaflets that you need to look at”? Ms Allbeson: They do not need to know everything. They do not need to know the detail of the rules but they need to know enough to alert people: “Do you realise you might be entitled to this? It is worth claiming. Even if you’re not on benefit you still might qualify”, if they realise they have hit a problem, putting them in touch with the right people. Most people do not necessarily see Jobcentre Plus offices as places to pop into for a bit of advice. It is how you make it accessible to people, that integration of information across a wider group of contacts.

Mr Broach: I think that is right. It has got to be that clear referral pathway. I do not think we can expect professionals across the other sectors to become experts in benefits advice but they need to know where to refer people on to. That is the whole purpose of the Every Child Matters reform agenda for children’s services.

Q144 Miss Begg: Should that be the responsibility of DWP to make sure they actually raise with other government departments, to make sure that that information is then given to the health visitor? Should the DWP be talking to the Department of Health saying “By the way, some of the staff that are working within the health sector have a really important role, particularly with disabled children, in making sure the holistic view of that family is taken”? Mr Broach: I would say more, that it is the responsibility of the local agencies, the local manifestations of those aspects of Government, to be talking to each other and the role of central government is to make sure that the structures are in place so that locally that chain of conversation can happen.

Q145 Miss Begg: You have just mentioned the voluntary sector. Is that something the voluntary sector could take on, or not? Mr Broach: We are slightly sceptical about that in the sense that the complexity of the system requires Government to work more effectively together at a local delivery level. The role of the voluntary sector is to advise and to offer expert advice to Government but I think there is a danger in the concept of the voluntary sector being given the responsibility, a very onerous task of joining up bits of Government at delivery level.
Q146 Miss Begg: If I can get you to sum up the quick hits that the Government could do that would make life easier, Paul, you have already mentioned making sure that there are common rules. That is one quick hit. Another quick hit was the data sharing. I have given you two. Can you come up with some more things like that that would make a big difference without having to do the radical reform of the benefits?

Ms Allbeson: I would like more consideration of fixed awards as a quick hit, Housing Benefit, say, six-monthly. Tax Credits, depending on the extent of the wave of reforms that are brought with a higher threshold, to what extent that does actually achieve a lower overpayment rate. If that does work, that is fine. If it does not, I think these fixed awards are worth considering, because it is not just about income; it is also about security of income; that is something that people worry about. Also perhaps not tying everything so completely to Income Support, so that you have run-ons in things like free school meals for people going into work, so that there is not this cliff edge between one whole bundle of entitlements when you are out of work and one when you are in work but you slide people over much more gradually so that they are not having to do masses and masses of paperwork and switching systems just at the point they are trying to cope with getting a new job.

Mr Broach: Three very quick ones: joining Carers Allowance to Disability Living Allowance claims for carers with disabled children so there is a single process of assessment on those two claims; scrapping annual reviews of DLA awards for children who have long-term conditions, whose level of need is very unlikely to change, particularly when they have reached a higher rate care component; and allowing Carers Allowance to be paid more than once for carers of more than one disabled child or adult, which would immediately benefit families who have very significant levels of caring. All those things would be very simple, relatively speaking, and would directly improve outcomes for claimants.

Dr Dornan: Could I add two quick points, one just to add to what Steve was saying, the use of pre-populated forms from data matching increase the extent to which we are using existing data. Secondly, and slightly differently, to pick up the conversation that was happening before in relation to health visitors, I would like to see some level of not full advice certainly, but something on the curriculum for people like health visitors, things around continuing professional development that would force it to their attention, but actually it is not an add-on to the job. If you are looking at the health of a family and the health of a child, their income is fundamentally important and that should be part of their role. So I would like something in the professional curriculum on that really.

Q147 Mark Pritchard: I was fascinated at the eight or nine ideas there in the space of one minute, and perhaps you guys should go to DWP. I do not know. Max Bygrave makes me feel old. He used to say, I think, “Let me tell you a story. I want to tell you a story.” A couple of weeks ago in my surgery I had a chap come in, a registered schizophrenic—obviously I will not mention his name—and he said, “Mr Pritchard, I am desperate to start my own business because nobody will employ me because I’ve got this on my medical records, but I’m finding it very difficult. What can I do?” I gave him some advice and we are still helping him. He said, “The reason that I’m trying to set up my own business and trying to get off benefits is because I think the whole benefits system within the next decade is unsustainable,” and I thought “Wow!” Here is a chap coming off the street in the surgery and making a statement which I think is probably accurate. I just wondered what your view is on the current benefits system, how the complexity is a disincentive for those who want to access the workplace, or you might see it as an incentive.

Dr Dornan: It is a very interesting and complicated area. Clearly, you went over this territory slightly in the previous section. I think it is quite possible to find areas where people are not better off in work. Incidentally, though I do not think we have hugely good evidence for this, the Treasury do publish a table about marginal deduction rates. That is only one way of looking at the problem because I do not believe that people go and, in a typical sense, add up what they are going to lose in Housing Benefit, what they are going to gain in a particular Tax Credit before they make a decision. The system is far too complicated to make that kind of calculated view in the way perhaps economists do but no normal people are capable of. I think what is very interesting is that, despite the difficulty, people still do it. In recent months the figure of a third of claims for Jobseeker’s Allowance being repeats claims has been bandied around, which may well be entirely true. It also implies that there is a great degree of flux of willingness to try out work, and that may be against systems but we have got to the stage where things are so complicated that, clearly, we need to look at the barriers to going into work, given that that is what most people would wish to do, but I do not think people make very clear decisions based on exactly what is going to happen to their benefits before they take a decision. I think where the crunch comes is when they go through the system and then they get hit with a load of lost Housing Benefit and it becomes unsustainable. I would challenge the extent to which it is being argued that perhaps there were not that many situations where you were not better off in work. The grounds on which I would challenge that is the way in which we measure gains to work. Things like marginal deduction rates are very much framed around traditional tax and lost benefits. They do not take into account things like certain aspects of childcare, travel to work, additional costs of work, which do need to be factored in because they are how claimants will be looking at their lives and how they will be impacted. I am not giving a very clear answer but the reason for that is because firstly, the system is complicated and there are difficulties in terms of gains to work certainly, and the system should better support moving into work. Although not at the expense of giving inadequate supply of
income to those who need it and who are not able to work, but I am not sure that people make very simple answers in that way.

Q148 Mark Pritchard: In the Government’s employment strategy, on which we had an earlier inquiry, the unemployment rate nationally was 3.8%, I think, and it is 7.3% for those ethnic minorities. However, within the same inquiry the Government said that there is no evidence to suggest or there has been no sharp rise in claims as a result of significant migration, economic migration, over the last decade, and yet we do know that 7.3% of indigenous ethnic minorities are unemployed and those are claiming benefits. We know that. Why do you think there is that disparity? If you were here earlier, there was a comment about a Somali group in Manchester needing special help. Do you think it is because all of those economic migrants are actually working, or do you think some of those migrants are not working but, because the benefits system is so complex, they are unable to access the system, whereas indigenous ethnic minorities, because they are from the UK, understand it a little bit more, know where to get advice and therefore do access those benefits?

Ms Allbon: The benefit rules are very tightly drawn, so a lot of economic migrants coming here from the East European accession countries do not have access to benefits. People from other European countries are coming to work, so to that extent they may qualify for contributory Jobseeker’s Allowance if they lose their job, because they get that by virtue of being a worker, so to that extent they are not necessarily into the benefits system. Obviously, there are some longstanding issues around people who have the right to remain here, who are now British citizens, say, who have elderly parents who come. I do not know. Clearly, people who have a language issue, people who have come here as asylum seekers and are now refugees, how they are going to integrate? They need to have access to specialist support to make sure that they are helped to do that.

Dr Dornan: I am afraid I did not quite grasp the central nub of your question. I think you are looking at the skills as well.

Dr Dornan: I am afraid I did not quite grasp the central nub of your question. I think you are looking at the skills as well.

Q150 Mark Pritchard: Why do you think that in London the average young male ethnic minorities are 8.2% yet we have more vacancies in London than anywhere else in the country?

Dr Dornan: I think London is incredibly interesting and difficult; it totally bucks the trend in the sense that we have high employment and very high non-employment in London and I accept a lot of that it is patterned through minority ethnic groups within London. I think I would want to look at the skills and the opportunities. One thing that we have not talked about here is also discrimination in terms of the jobs on offer to people, but I would want to be looking at the skills as well.

Q151 John Penrose: I would just like to follow up on an earlier answer about better off in work calculations. We had an example in the first set of evidence of people saying you have got to be careful about childcare costs and travel costs. I think you mentioned that just now, Paul. Where those costs are not part of a government entitlement or benefit, should we be including those in the question of whether or not you are better off in work, not because they are not part of a calculation which every person going back into work has to make but because you are inherently making the better off in work calculation far more complicated by straying into questions of family income and family expenditure, which are actually nothing to do with the Government? Is there a case there for saying we are adding extra complexity just to that by sticking our nose into things which are estimates and inherently not part of the question we are asking?

Mr Broach: For families with disabled children childcare is the number one barrier to accessing work. The Government has taken responsibility for that issue in the sense that . . .

Q152 John Penrose: That is established benefits?

Mr Broach: Childcare and Working Tax Credit. The problem is that the amount of Childcare Tax Credit is far too low to meet the costs of the childcare experience by families with disabled children. So in terms of families who are worse off in work, we have calculated the gap for our families compared to other families is five times as much. They are paying five times as much for childcare as families with non-disabled children. That is an absolutely primary driver to keeping families out of work and the result of that is that only 16% of mothers of disabled children are in any form of paid employment, as opposed to over 60% of mothers of other children, so there is direct correlation between that.

Q153 John Penrose: As you say, the state is taking responsibility for that but it is a benefit which is . . .
Mr Broach: Precisely.
Dr Dornan: Can I say two quick things? The first is that clearly, and I think the previous discussion probably covered this adequately, it is very difficult to produce Better Off Calculations for agencies and so they are often of poor quality, et cetera. I take that point but your question is, is it what we are trying to capture, I think, and that implies that what we all need to know about it is aspects to do with public delivery or aspects to do with benefits, taxes that the state administers. If it is a better off in work, I would argue that actually we should be looking at the claimant’s position out of work and the claimant’s position in work. You have to start with their lives, not from the state as it is providing to them, and they are going to be thinking about those other aspects of their lives; they are not just going to be thinking about additional tax, NI and lost benefits or additional Tax Credits. They are going to be thinking about the childcare, they are going to be thinking about the difficulty of getting to work, and so if the objective is to look at the extent to which people can move into work and can sustainably move into work, I think you have to start from the position of the claimant, not the position of the administrator, of the delivery agency, and that suggests to me you need to capture those costs.
Chairman: Thank you very much. This has been a very interesting session today and it will all be reflected in our report.
Monday 21 May 2007

Members present:

Mr Terry Rooney, in the Chair

Miss Anne Begg
Mrs Joan Humble

John Penrose

Witnesses: Ms Abigail Howard, Head of Policy, Research and Communication, the Wise Group; Ms Ginny Lunn, Director of Policy and Development, The Prince’s Trust; and Mr Michael Fothergill, Right Deal Project Manager, Off the Streets and into Work (OSW); gave evidence.

Q154 Chairman: Good afternoon and welcome everybody to this our third evidence session on benefit simplification. We are sorry to have kept you waiting but we seem to have lost two or three of our Committee members; we have tried to find them, but we will crack on anyway. Welcome to our three witnesses; it is good to have you with us. Ginny, no doubt you will know that we had a very good visit to Stratford; it was really good, so thank you for that. Ms Lunn: I heard about it. Thanks for coming; it was really good.

Q155 Chairman: If I can kick off with just a general question, what is your opinion, is the UK benefits system just too complex?

Mr Fothergill: There is huge complexity in the benefits system. I was just handing around this book, outside, in the corridor, which some people had not seen, and that is it; there are 1,500 pages in there, and that has grown, doubled in size, in the last 10 years, so that says everything, really. As far as I am concerned, it is not just the complexity of it, because some benefits actually are quite straightforward—Jobseeker’s Allowance, Income Support, quite straightforward—it is the awareness of those benefits, that people do not understand. For the likes of people with that sort of life, even then you cannot really work out what the benefits system is about. I worked in it for 281 years, I used to work for DWP, and even I do not know all about it.

Ms Lunn: Also, we find that our Team Leaders, as you saw, spend so long themselves trying to work it all out that they cannot give proper advice to young people. I think it is as much about people working with those young people as the young people themselves so that proper advice can be given. If you think of a book like that, it takes a lot to get your head round that, does it not?

Ms Howard: I think complexity in itself is not necessarily a bad thing but when it becomes dysfunctional it is difficult for clients to understand what they are or are not entitled to, and difficult from the point of view of someone administering it and understanding then what they are meant to be doing with it. That becomes a real problem. I suppose you have to be careful not to say complexity in itself is bad, but too much complexity or it is something that you cannot navigate through obviously becomes very problematic.

Q156 Chairman: So it is your fault? Thank you for that confession.

Mr Fothergill: It is my fault; absolutely. It is very, very difficult to get your head round, but it is the awareness of it, because some of the benefits are very, very complicated, and some of the subtleties that are put into legislation, which hardly ever happen. I was also part of the DSS Social Security Bill in 1997 and we legislated for the tiniest expectation of something which would hardly ever happen, and that all gets chucked into legislation. If it were left out and we decided on those kinds of issues as they came up and then guidance, and whatever, came in actually to address that, that would be a lot easier. There are complexities, for sure, lots of complexities, but I think a lot of the benefits are quite straightforward, it is just the awareness, for people to know that they are there and what they are for.

Ms Lunn: If I can kick off with just a general question, what is your opinion, is the UK benefits system just too complex?

Mr Fothergill: There is huge complexity in the benefits system. I was just handing around this book, outside, in the corridor, which some people had not seen, and that is it; there are 1,500 pages in there, and that has grown, doubled in size, in the last 10 years, so that says everything, really. As far as I am concerned, it is not just the complexity of it, because some benefits actually are quite straightforward—Jobseeker’s Allowance, Income Support, quite straightforward—it is the awareness of those benefits, that people do not understand. For the likes of people with that sort of life, even then you cannot really work out what the benefits system is about. I worked in it for 281 years, I used to work for DWP, and even I do not know all about it.

Q157 Chairman: There is a line of argument that people’s lives are complex, therefore inevitably you will get a complex benefits system. Is it possible still to have whatever necessary complexity there is but shield the claimant from that; so the poor old staff have a complex problem but the experience for the claimant is easy? Is it possible to do more to shield the claimant from that complexity?

Mr Fothergill: I think there is still an issue about simplification of benefits but, as I say, I think the main benefits are not really that complicated; when you go into things like DLA then it is another story. I think the issue is about actually having someone to advocate on your behalf, or someone to navigate around the benefits systems for you; certainly we do that with some of our programmes. Our Transitional Spaces programme has coaches who work with people to enable them to understand the opportunities that are out there, not just benefits but for employment and housing as well. It is very much the awareness of this, and certainly we work with people who have multiple needs, homeless young people, and their capabilities of actually manoeuvring themselves around the benefits system it is very, very, very difficult and certainly they do need someone to work on their behalf. I am not saying forever; this is just developing roles and responsibilities really and educating people to know about the benefits system. There is another issue with front-line workers as well, because there really is a big requirement for upskilling front-line workers, Personal Advisers in Jobcentre Plus, key
workers in hostels, especially in London, there is such a huge turnaround of staff there is hardly any retention of the skills that once were there. That is another really big issue for us.

Ms Howard: I would agree with that; that is what our worry is about, shielding people from the complexity, about guiding them through that process and reassuring them, I suppose, that there is a way through it and that we can help them do that. I think there is more to be done. In terms of shielding; for example, if there were a one-stop shop or one route-way to the various agencies I think you could shield clients and make their experience much simpler, hiding the complexities from them, in a way.

Ms Lunn: I agree. I do not think it is about hiding what is there, I think it is about how you work with them so they can understand it.

Mr Fothergill: There is a whole issue about choice as well; we say people need choice but some people do not need that much choice, they just need to know what their entitlement is and what actually they should get and legally what is theirs. It almost breaks my heart, when I see that then they start splitting up benefits into different government departments and giving some to the Inland Revenue and retaining the rest in the Department for Work and Pensions. That is just kind of going away from the whole issue, as far as I am concerned, to different central government departments doing lots of sets of very important benefits.

Ms Lunn: I think then the administration that goes with that, it is all being dealt with separately, so there is a cost.

Mr Fothergill: There is the whole data-sharing issue as well. People have to present their personal information so many different times, to so many different organisations, not just those two, the Department of Health, and so on.

Q158 Chairman: I take your point about the question of an advocate but when you have a Department which employs over 100,000 people do you not think it is more a case of getting them to do the job that they are paid to do, to provide a better customer experience, rather than running up another bill, somewhere else, to create a load of advocates to tell people their rights which these 100,000 people should already be telling them? I do not want to do anybody out of a job.

Ms Howard: Upfront benefits advice given at the Jobcentre, for example, would be a simple solution, if people could go through the door and be told exactly what the situation is, get a better-off calculation. We did a survey with our clients before we came here today because we thought we had a lot of anecdotes but not many facts and only 27% had had a better-off calculation at their Jobcentre before they came to us for help, so they are not getting that advice and that information up front, which I think would make the journey easier and a lot less scary for people. People are scared of losing their benefits, and that could be quite a reassuring thing, if it were done properly.

Ms Lunn: Our experience of using advisers, for example, is that the case loads are just huge, absolutely huge, so I suppose it is the time they have got and the motivation they have to spend the right amount of time to help people, because that is part of the issue.

Mr Fothergill: It is very much about the flexibility. Having worked there, and realising that Personal Advisers have 40 minutes to do their bit, and the Financial Advisers, who basically are just checking the accuracy of the claim forms, have 20 minutes, one hour is possibly long enough for certain people who have their lives sorted but certainly not for the type of people that we engage with, who have a whole raft of problems. It is not just about actually enabling the Personal Adviser to give all this advice. David Freud, in his recent report, readily admitted that Jobcentre Plus, year one, 95% of people get into work with hardly any direct help from Jobcentre Plus at all; recognising the fact that probably they do not have the skills to deal with people who have multiple disadvantages, who are on Incapacity Benefit, and actually handing over the whole responsibility for that to the private or voluntary sector to work within a costed basis for the next three years, to try to get them sustainable employment. Freud is saying almost the opposite, that he is recognising that Jobcentre Plus do not have the skills to deal with the people who are the hardest to help.

Q159 Chairman: I think where possibly Freud fails is not recognising that the vast majority of new claimants at Jobcentre Plus have got recent experience of the labour market, and he is not recognising that the vast majority of people who have been away 10, 12, 15 years, they have come from either statutory sick pay or redundancy situations, so they have, more or less, come from the labour market to Jobcentre Plus, I think is the difference. Ginny, as you know, we heard from your people at Stratford. Abigail and Michael, are there any particular factors that you find with the people you are trying to help get back into work that this complexity affects?

Ms Howard: I think the complexity affects people with complex situations themselves. There are a lot of our clients who have been out of work for a long time but have a fairly straightforward situation and for them the benefits system is kind of okay. I do not think any of them particularly relish the system but they do not find it a massive problem. It is our clients who do not fit neatly into boxes; they are not just the lone parent, it might be a lone parent with mental health issues, they are not just in want of cash because then it becomes complicated to work out what they are entitled to, what their eligibility is, where best they would be served. I think that is a problem. Another problem I think, as Michael has mentioned, is the interaction between the benefits system and the tax credit system, and getting the people into that transition from unemployment into employment is a big problem for our clients.

Mr Fothergill: As far as the real issue there is concerned, certainly it is the ignorance of what benefits are there, and certainly, as far as in-work
benefits are concerned, we have found from quite a lot of our research that people have absolutely no idea what in-work benefits they are entitled to. Certainly in relation to Housing Benefit, I have always found it remarkable that people do not know that they are entitled to this but then, when they do know they are entitled to it, they have also got a big shock coming their way because they lose 65 pence in the pound for every £1 over the figure they have earned. Something just has to be done about that, especially for hostel rates, which are so high you just cannot possibly afford to work. It is the inadequacy of knowing what benefits are out there. As far as the whole Working Tax Credit regime is concerned, even today, I was thinking about how it works, that is an incredibly complicated benefit for the man on the street. Even if you do get it awarded then, in year one, if you were on benefits the year before you are assessed on nil income, so you get the full amount of Working Tax Credit; in year two it is reduced to almost nothing because then it is assessed on your year’s work that you have been doing. People are just not aware of that, so they are living in this false reality of year one, of having this income, and in year two it disappears. It is the transparency of actually what the benefits do, really, and having a more realistic sort of tapering system, if you like.

**Q160 Miss Begg:** You all represent organisations that are trying to move people off benefit and into work. To what extent do you believe that the current benefits system actually hinders the work you are doing, that it acts as a disincentive for people to come off benefits and into work?

**Ms Lunn:** I was going to talk as well about self-employment. Part of what we are trying to do is get young people into business start-up programmes and we give out start-up loans. Some of the feedback I have had is around the test trading model, in that first six months when they are trying to set up in business and, the income, you are never quite sure, to have the test trading amount available, it is only in certain places. It would be really helpful to have more of that there to kind of cushion you for that first six months, which makes you more likely then to have a sustainable business; it is in that first period of time, I think. It is the same, in some ways, when people are starting in work; we find that it is the confidence to move them from being unemployed into work, because they start calculating the income they are going to lose through the benefits system, and to try to say, “Well, actually, by working, you’re going to have the same sort of amount,” often they just do not believe it. I find it is about giving them the confidence to be able to start that process and if they had something that was helping them. I think the first month is critical, because once you start a job you are not paid until the end of your first month so if you are someone who is used to getting your benefits every week, things like that, if there was something there that could provide just short-term help.

**Mr Fothergill:** Absolutely, and I think a lot of things there are quite cost-neutral. If you look at the whole issue of Housing Benefit run-ons, people entitled to Housing Benefit run on for the first four weeks, which obviously will pay their rent until most people get paid, but if you have not been on benefit for six months then you do not qualify for that. Generally, if someone has been on benefits then they are in the same boat. I know that the longer you are on benefit the worse off you are going to be and all the societal things that kick in then, but there are things like that which could be changed quite easily, not to have such a short qualifying benefit for run-ons; once again, people really not knowing that they exist sometimes. A lot of the research that we have done is very much people are hindered going into work because of very, very high rents, especially if they live in hostels which could be up to £180 per week and they cannot afford to work paying that amount of rent with the Housing Benefit taper. I know that Karen Buck MP has been kind of championing the cause, but we have got a project called Working Future which is being run in the East End of London by the GLA and East Thames Housing and that is block subsidies on rent, which again is cost-neutral and it brings down an average London rent for a family from £300 to £70 and then enables people to work. What Karen has been going on about is, this is a three-year pilot and we can see it is working and why do we not replicate it nationally; and what we really do not want is another pilot, so we are seeing how that is going to come out at the end. We are not really going to build these huge amounts of social housing that are often promised, it is about adapting properties that we have in the private rented sector and elsewhere, to make them affordable, I think.

**Q161 Chairman:** Can I say we had a debate last Thursday to which Jim Murphy was responding and we did point out the DWP has got more pilots than BA, so we hope they got the message.

**Mr Fothergill:** Yes. I read that.

**Ms Howard:** I think we would agree, that first month is absolutely crucial and that is when they lose people. A lot of organisations such as our own end up subsidising people during that first month, quite significantly, to get them through unexpected costs; also the fact that sometimes the system just doesn’t let them down. We have a lot of clients who have to wait up to 10 weeks for their tax credits to come through, so if we are not there to support them I do not see how else they would get through that period. Also there are things like budgeting skills, having to make that transition from weekly to monthly pay is quite a big shock to the system, and again there are just unexpected consequences from that.

**Q162 Miss Begg:** You have all talked about the one big thing would be that transition and that the run-on of benefits would help. Is there anything within the complexity of the benefits system as presently designed which could be changed in order to make it easier for people to see the benefits of moving into work?

**Mr Fothergill:** I have mentioned the Housing Benefit taper about five times already, but the Housing Benefit taper is ridiculously huge at 65 pence. I am not saying that people should be comforted all
through their working lives, because you would hope that people would progress at a reasonable time, but the people we deal with are probably going to remain on the National Minimum Wage for a good two to three years at least, because for them it is sustaining a job as opposed to progressing in a job. I am not saying that everybody will not progress but certainly there will be a large percentage that will not, and with that Housing Benefit taper it is just going to be almost impossible for them to work. If we had a system which actually did have a proper taper, it is not even a taper, it is just a reduction, if we had a proper taper which started off lower and then increased gradually over a period of five years, or such, maybe that would support better, but at the moment certainly not for National Minimum Wage and high rent.

Q163 Miss Begg: Would you advocate differentials in Housing Benefit? Obviously London is a particular problem, the kinds of figures that you are quoting exist in London, they might for hostel accommodation elsewhere in the country, but your average council house is not going to be £300 a week and almost anywhere else in the country it is going to be nearer £70, or less in many places. Is there an argument for looking at different parts of the country differently and having differentials in the benefits system, or would that not just lead to even more complexity?

Mr Fothergill: The news is all about regional variances, really. The Mayor of London has already come up with the idea of the London Minimum Wage; it is a good idea, it is an important idea and it enables people to afford to work, because obviously in the capital it is just so much more expensive to live. What worries me is that some of the people who are developing the Olympic sites have already reneged on that promise and have said they are not going to offer the London Minimum Wage, in fact not even the National Minimum Wage. We have a lot of migrant workers coming here who are undercutting the National Minimum Wage as well, so there is a whole raft of issues going on about who will work for what money at the moment.

Q164 Miss Begg: Once you have got somebody into work, how easy is it to sustain them in that work? Again, we are looking at the complexity of the benefits system; is there anything inherent in the benefits system, in the way it operates, that adds sometimes to the revolving door system that some claimants get into, or is that just because we are not giving them enough in-work support?

Ms Howard: I think there is a wee bit of both; the interconnection of benefits. If you cannot get your better-off calculation, they are not necessarily going to work with their eyes wide open about the fact that if they move off JSA they are also going to lose things like school meals, uniform costs; that can be quite a shock to the system, and if people are not prepared for that I think that can contribute to not sustaining their work. I think in-work support and tackling in-work poverty is also a massive thing that needs to be done which has not really been done sufficiently as yet, so probably both elements need to be addressed.

Q165 Miss Begg: All your organisations are dealing with what are often called the hard to place and people who are the most difficult to get into work. What proportion of your client group, at any one time, are what we call in this place 'retreads', in other words, they have already been through if not your organisation a similar organisation, they might perhaps have been in work but fallen out of work within the 13 weeks, or just after the 13 weeks, that have been through some organisation like yourself before; what proportion?

Ms Lunn: It is something that we do not actually track.

Ms Howard: I tried to quiz my colleagues about this and we do not record that information or aggregate it. We think it is at least half and we deal with about 6,000 people a year. One of the problems is that, because of data-sharing issues, we cannot get that information from Jobcentre Plus, so unless we record that and ask that of every single person it is a difficult thing to measure. Yes, at least half, I should think.

Mr Fothergill: There are statistics around about re-entries onto New Deal, which is quite hard to understand. I cannot remember the actual figure, but certainly that is akin to the whole re-entry into employment. As you said about the whole support issue, it is very much about the flexibility of support in work and I do not think any of us actually think that certain employers will be offering that kind of support, because that is not what they do and there is not any kind of funding for that to happen. I think it is very much using experts who know how to deal with certain clients, to deal with them and mentor them and support them through whatever period it is until they feel their work is sustainable. Certainly, what I mentioned before, about the Working Tax Credits, if we are talking about direct relevant benefits’ knock-on effects to sustaining employment then year two of Working Tax Credits, if someone has not progressed in their job, there is every likelihood that they are not going to be better off in work and certainly may be worse off in work and nobody is going to work in that situation; so that year one will trigger someone going back onto benefits, I am sure.

Q166 Miss Begg: You mentioned that relationship between out-of-work benefits and in-work benefits; is there a problem with the ability of the DWP to talk to HMRC with regard to an individual’s benefits, or is there a lack of communication between those two agencies?

Ms Lunn: It would seem to make more sense if was all through one body. I think that would mean that it was much clearer then to deal with everything.

Mr Fothergill: I just think it is the intricacies of Working Tax Credit, because they have just agreed, have they not, to write off £2 billion in overpayments, and this sounds very similar to
something which could have been put into place years and years ago when Family Income Support and Family Credit was in payment, back in the seventies and early eighties. Basically, that was awarded in year and it was kept for the whole year and there was no change of circumstances, you could not stop it being paid; so someone coming back onto benefit, you just took it into account as an income. That would seem to be almost kind of the line that Working Tax Credit seems to be thinking about taking, so they cannot cope with the change of circumstances, because people do not know what to report or when to report it, they seem to have admitted that actually, we can’t afford to work on this and reclaim it; it’s going to be cheaper just to write the whole lot off.

Q167 Miss Begg: Do you have examples from your client group where the fact that the individual that you are dealing with has gone into work has affected the whole family’s income? Obviously, a lot of the income-related benefits are based on a household income and not individual benefit and that in itself can act as either as a disincentive for going into work or once they get into work the pressure comes from the family where other benefits that they have become used to as a household are affected. Is that something that is familiar and, if it is, how do you solve that?

Ms Howard: I do not have any specific examples. I have heard clients talk about, for example, pressure from their family not to work. We had one client whose Dad smashed his alarm clock every week because he did not want him to wake the whole household; the impact on the whole household income was also a big consideration. I think there is something around having to deal with household units rather than individuals. It is something I think the Glasgow City Strategy is trying to look at as an approach, for example, because we cannot ignore that unit.

Q168 Miss Begg: It was in Glasgow that it came up in discussions, particularly if you are into third generation worklessness, the youngsters leaving school going into work, the whole edifice of benefits that have built around the family start to crumble, or is it the first crack?

Ms Lunn: I think it is; it is that culture of trying to change from that environment really is difficult.

Mr Fothergill: Behaviour certainly breeds behaviour. There is also a whole raft of hidden costs to being in work as well. Not only do you lose all of your benefits and your Housing Benefit is reduced drastically but then you also lose free school meals, prescriptions, glasses, teeth, council tax, all these things, then you have to pay fares to get to work, there are extra costs for clothes, for food; into-work calculations do not bring that kind of stuff to bear. I keep banging on about what we are doing but I think it is really important. We are also developing an into-work calculator, basically which looks at our clients, which are single people living in hostels, and it is going to be a very, very straightforward better-off calculator, run online, for clients to look at very simplified ones so they can get an idea of what they will be doing and how much better off they may or may not be if they are going to work. Then a much more complicated one, but still very, very, very straightforward, for a single person living in a hostel, which takes into account all those elements and will give them a real idea of exactly how much better off, or not, they will be when they are in work and we would train the workers to use it. That would incorporate upskilling front-line workers as well.

Q169 Miss Begg: I just wonder why the DWP does not have that, because HMRC has it, from what you say, which can do a rough calculation of your own taxation?

Mr Fothergill: The one that DWP has, the Ferret calculator, has been in existence since about 1990 and it was always very complicated and staff shied away from it because it took just too long. When you have these time limits for working with people in Jobcentres, which is an hour tops, then a better-off calculator, which covers every single area of benefits, could take that time in itself and it is not used that widely because it takes too much time.

Q170 Miss Begg: Just listening to your answers to these questions, it would suggest that the complexity of the benefits system is the very thing which allows some of these more complex families a level of income which they can sustain by the amount of benefit, I will not say ‘quite comfortably’ because it is never comfortable, but they can live on benefit for years, and indeed for generations. Take away that complexity, start to strip out the complexity from the system, then is there not a danger that you would end up with these very groups of people having less benefit rather than the amount of benefit they have got, because it is these different, complex layers that give them the benefit which allows them to survive on benefit?

Mr Fothergill: I suppose the most complex cases are people with disabilities really.

Q171 Miss Begg: It is just that some of the other organisations have said that complexity may not always be a bad thing, provided it is not necessarily the client that is finding it complex, because that complexity is what gives people with disabilities, children with disabilities, extra money on which to live?

Mr Fothergill: It makes you wonder whether you can actually turn that on its head and say maybe the people who are administering benefits do not understand the complexity of the benefits and do not understand that people should be on them more often. Most certainly a whole raft of issues with DLA in the late nineties, where it just seemed to be there was a blanket approach, either paying people or refusing people benefit, and it all went horribly wrong and a huge review had to take place and it took years to correct it. Probably there is that; but a simplified benefit would be fantastic, but there are so many different circumstances, but a simplified
benefit that actually is of a reasonable amount would allow people to live to a reasonable standard but not to be benefit-dependent.

**Q172 John Penrose:** I want just to pick up on some of your answers to the questions so far, and perhaps dig a little deeper, if we could. I think all of you have said so far that you think there are people who are worse off if they go into work because of the operation of the benefits system. We have been asking people who have been giving us evidence so far if they have got any sense about which groups of people and how many of them there are, because we are trying to get some sort of quantification, because at the moment the steer we are getting, quite strongly, from the Department is actually there are not any people like that, and therefore we would like to have some hard numbers. Have you guys got any sort of data you can give us, or concrete examples of people, classes of people, who may be we could go off and quantify elsewhere, who are definitely worse off, whichever way you look at it?

**Mr Fothergill:** The piece of research that we have just done is called *The Cost and Benefits of Formal Work for Homeless People*, and I can certainly let you have a copy, which basically is a study into single people living in hostels and comparing the whole raft of scenarios, and this is just for single people. I think probably there are over 150 different scenarios, just for people doing different hours of work, so there is a 16-hour scenario, there is a 25-hour scenario, there is a 35-hour scenario, three different levels of Minimum Wage, different hostel rents and then doing a whole raft of comparisons about how much better off a person is in relation to different benefits. There is a huge amount of scenarios dealing with disability benefits, just straightforward JSA or Income Support, so really complex analysis. If then you went into families and brought in other areas this would go on for just ever and ever and there would be hundreds and hundreds and hundreds of scenarios. Certainly it shows you the whole level of where people are better off and then what happens in year two.

**Q173 John Penrose:** Out of these 150 or so scenarios that you have modelled, how many of them are people who are actually worse off?

**Mr Fothergill:** Because people aged under 25 are not entitled to Working Tax Credits then people under 25 working part-time will never be better off by working. People aged over 25 who are working 35 hours a week on the National Minimum Wage will be better off in the first year, on average, by about £45, but come year two they are better off by £4. If their wages do go up slightly then probably they are going to be worse off because of the marginal deduction rate, which is 80, 77%, so all the tax and National Insurance, reduction in Working Tax Credits coming off, Housing Benefit taper going up, then they are also worse off in year two. It is a very straightforward analysis of what actually happens.

**Q174 John Penrose:** I do not think you submitted that report in evidence to us; if you have not, please can we see it?

**Mr Fothergill:** I did. ERSA were meant to be at this, I think, and I sent it to ERSA as part of the response. They may not have sent it to you; so I can do that.

**Q175 John Penrose:** For whichever reason. That sounds like an essential piece of evidence, if we could get hold of it.

**Mr Fothergill:** I can do that, yes.

**Q176 John Penrose:** Do the other two of you have any other thoughts?

**Ms Howard:** We have not.

**Ms Lunn:** No.

**Q177 John Penrose:** We would really like to see that.

**Ms Howard:** We would like to see that too.

**Mr Fothergill:** Absolutely, I do not think there is a lot of this stuff around, because at one of the many meetings that we have been to with David Freud we talked about this then, after he had had, “Well, actually, there’s no evidence to that effect.” We said, “Well, actually, we have just had some done.”

**Q178 John Penrose:** Do either of the two of you have anything equally factual to give us?

**Ms Howard:** Not really. I think it comes from talking to case workers around this kind of situation, the message you get back is, the more complex the personal situation the more likely it is they will be worse off in work. I can certainly try to do some digging but we do not have anything as comprehensive as that.

**Ms Lunn:** No, we do not have anything like that.

**Q179 John Penrose:** You have all hinted, I think, that you feel that the existing better-off calculations are inadequate, omit things and may give incorrect steer, and Michael you have been talking about a couple of alternative calculators that you are working on at the moment. The existing DWP better-off calculator, which happens in 27% of cases, or whatever it is, at Jobcentre Plus, how badly wrong is that, is it wrong by a few pence, or is it seriously wrong and people will miss out on things and go into work when they should not, or do not go into work when they should?

**Ms Lunn:** From talking to our staff, most of them did not seem to have come across it, so I do not think it is widely known about. That is obviously what you have found, so probably it is not being used as well as it could be.

**Q180 John Penrose:** Is it not that it is wrong, it is that it is not being claimed?

**Ms Lunn:** Yes; we do not normally know if it is not being claimed.

**Mr Fothergill:** I have sort of known about the Ferret better-off calculator system since the early 1990s, and it was not being used then but it was quite difficult to use then, they had not worked out all the nuances to make it a better piece of software. Certainly it is there, it is a well-recognised, or it
should be well-recognised, piece of software to assess someone’s benefit claim; but I think, as I said earlier, it takes a long time to go through really complex claims and they are the ones that people really want to know about. When they have got a whole raft of different benefits, they are really interested to find out exactly how that is going to translate into work, but Personal Advisers really do not have the time to do that. We have got our frontline service delivery, our Transitional Spaces project, we have coaches there; they have used the Ferret software because they are co-located in the Jobcentre Plus office. Okay, the person who is using it is quite an expert in welfare benefits, but she said she found it quite easy to use, although it does take some time.

Q181 John Penrose: It is not that it misses out the fact that you lose your eligibility for free eye care, or whatever it may be, it gets all that correct providing you spend the time on it, is what you are saying?

Mr Fothergill: As long as the input is fine.

Ms Howard: The system is as good as the person administrating it, so if you have got a skilled person who knows the right questions to ask and who is very thorough about it I think it can be very useful; it is how it is done, and also the honesty of the person being asked the questions.

Q182 John Penrose: We discovered at Stratford as well you could do an awful lot with automatic data population because an awful lot of the data is already known about in other systems, which would cut down the time. Just to summarise what the three of you are saying, are you saying that actually if it is done properly it is broadly correct?

Mr Fothergill: Yes.

Ms Howard: That is certainly my understanding.

Q183 John Penrose: There is no systematic problem with the better-off calculator, providing it is done properly?

Mr Fothergill: No. It is time and data input, I think.

Q184 John Penrose: One of the things which has been surprising me in our session so far is that when we talk about tax rates and we talk about marginal tax rates people talk very strongly about disincentives to work, and anything over 40% people starting saying, “Oh, well, you know, higher earners will leave the country,” or whatever it is. Yet when we talk about benefits withdrawal rates we are talking blithely and glibly about 65, 70, 80% rates of withdrawal, and yet we seem to be assuming that if a better-off calculator says “Well, if you’re ten quid a week better off then you’ll automatically want to go into work,” but if that is actually a 90% or 70% withdrawal rate of benefit then I just wonder if you have got any evidence, any facts, about at what stage that rate of withdrawal starts to affect people’s ‘back-to-work’ decisions. Do they look at it in terms of percentage withdrawal rates, or do they just say “It’s got to be above a certain pound value better off per week before I’m going to go back into work”? Where does the threshold start to bite?

Ms Lunn: I think there is so much else going on, about getting up at a certain time of the day, all the other things that go with working full-time, so you have got to be earning quite a significant amount more than those benefits I think for people to start feeling it is something they want to do. I think that is what we find; it is about building that confidence, to see all the other things you get from it, like mixing with people, being able to progress, learn new skills, I think you have got to get that through to people. We have introduced a programme which is very much about working within the industry so that they can get that experience, so that they can start to feel confident with people. It is like we said before, if you have got third generation unemployment and people have not been used to working in those environments, it takes time. Money is important, but it is all the other things as well.

Q185 John Penrose: We are talking about the benefits system, for the moment, at least. Assuming that you have done this great sales job and they are mentally and emotionally prepared and wanting to work, and then you do the better-off calculation, at what stage do they go, “Well, that’s all great, but actually it’s just financially not worth my while; I’d love to, but . . .”? When does that start to happen?

Ms Howard: It varies from person to person. I would not like to generalise.

Mr Fothergill: It does. In that report I was talking about earlier there was anecdotal evidence to say, “I’m not going to get up for five days a week just to work for an extra £10 on top of my benefit.” I know it is about benefits, but certain places do not support people in work either, so people living in not so good hostels that have not been through the Hostels Capital Improvement Programme do not seem to want to do that either, and that is quite understandable because it is not the right environment. There is quite a lot of anecdotal evidence about, to say “I’m not going to work for that.”

Q186 John Penrose: I guess what I am asking is, is there any quantified evidence about is it a minimum amount per week, or is it a minimum percentage increase in what they were getting before; what is the mental trigger? I guess it may vary by different types of claim as well?

Mr Fothergill: I think, as Abigail said, it is very much down to the individual circumstances, and whether someone is actually supported through that period as well and does know the reality of how better or worse off they are going to be in that situation.

Q187 John Penrose: I understand, Michael, you were saying earlier on, if someone has got a withdrawal rate of 65% they are not going to want to go into work, that we should try to improve that taper rate. I think was one of the comments you made. The policy-makers’ response to that is going to be, “Well, how much of an improvement would it take and how much is that going to cost?” That means we have got to have some sort of quantification about, well, if it goes down from 65%
to 55%, how many more people are going to feel like it is worthwhile going back into work and how much is that going to cost the taxpayer: and I am struggling to find some sort of quantification for that?

Mr Fothergill: That is quite a complicated area which actually I do not think has particularly been hit upon yet. My current job is developing the Right Deal for Homeless People, which is a New Deal which was always mooted years ago, but is actually an holistic service for homeless people, and part of that would be a costed model to say, if all of these things happen which need to happen, including this whole benefit issue around Working Tax Credits and the Housing Benefit taper, then this is how cost-neutral that will be to the Treasury. There will be a report coming out at the end of this year, but I do not know of any other ones.

Q188 John Penrose: I do not think we have had any other information about this, but it strikes me we are all making assumptions here about what the change in the benefits taper will be, and actually no-one has yet come up with any concrete evidence for us. I am afraid, you have got more anecdotal back-up to the fact it is important but you have not got concrete stuff either. We have already talked about the interaction between benefits and tax credits and I think mentally you are considering them as part of the same issue, you have to take them as an overall, integrated system if you are going to assess the impact on the decision to go back to work and to remain in work. What is the opportunity for simplification then or for aligning those incentives better of you have two different Cabinet ministers responsible for each bit?

Mr Fothergill: It is quite interesting to look at that, because obviously in the days when there were the Benefits Agency and the Employment Service, which have now been integrated into Jobcentre Plus, and you would think that would work better because they are both working to the same government department, but there is some kind of a point between benefits provision and job provision where job basically, at the moment, is king, really, and is about getting people into work. I think, and certainly from my own experience, that X benefit staff feel like the second-class citizens; in fact, the ‘plus’ in Jobcentre. It does not work. When you have had two separate organisations administering two separate things, you have got these two areas of expertise and they do not join, and then you would have people sitting on the front line, in Jobcentre Plus, who historically have been about jobs, expected to give benefits advice. Obviously, with the cuts, the Gershon Review and the cuts in staff, there is a whole raft of issues there as well about not having enough people actually to do the job in the first instance. Certainly, as far as separating out government organisations, as far as the Inland Revenue is concerned, we have not had a real, big issue at OSW about this. As part of that into-work calculator, I am trying to push the whole raft of trying to upskill front-line HMRC workers, because historically these are not the type of people they have been dealing with, and I challenge whether actually they have the skills to deal with them, and that is a big issue in itself, not actually understanding the complexities of people who are in this situation.

Ms Lunn: I think I said already earlier actually, I cannot quite understand why it has to be like that. It would make much more sense to have it under one department.

Ms Howard: Certainly I think that is how clients perceive it, as part of one system. I do not know much about the interaction between the two, but certainly I think it would make more sense to have a system that was a streamlined, integrated system, as opposed to two separate entities.

Q189 Chairman: From each of you, is it the case that, the clients that you are dealing with, they look to yourselves for benefit advice, they do not expect to get it anywhere else?

Ms Lunn: I think that the first point is, whoever they are working with. As you saw, with the Team programme, it is the issues that they suddenly face and so they go to the person they are working with, and, as you saw, our Team Leaders spend so long working with Jobcentre Plus staff, trying to sort out the issues. They would not go to the Jobcentre often, they would be looking for someone else to work with them on the issues.

Ms Howard: I think many of our clients would have expected to get it at Jobcentre Plus but did not do so necessarily, and then, when they come to us, we start to work with them, so expectations may be a different thing. Certainly where they get the advice is either from us or we would signpost them to Citizen’s Advice or to another agency which might have more expertise than we have.

Mr Fothergill: Certainly that is the place where people should be going to get advice because that is exactly what they are paid to give. As I said before, it is quite a transient population within Jobcentre Plus and lots of people move in and out of the jobs, and the skills base, I am not saying everywhere, there are some very, very good people out there, that is for sure, but there are also some people who really do not know the complexities of it, and why should they when they have been in the job for only six months or so. The people we deal with, who are very vulnerable, do build up trust with people and sometimes that takes a very, very long time, and that is the person they will deal with, and they are quite scared of officialdom. If you go into Jobcentre Plus and the first thing someone is going to say to you is “Go and use a warm ‘phone and speak to someone” wherever the centres are, in Cardiff, or wherever they are, is not the issue for them. It gets worse because, certainly the call centre in Pembroke Dock, in Cardiff, Jobcentre Plus did not have the staff to man it, so they were making people redundant who actually worked in this building. The vast percentage of the staff who ended up manning the ‘phones were people who had never worked for DWP or Jobcentre Plus and were giving out benefit advice from a script, and had absolutely no idea what they were talking about and could not go away from the script if someone had different needs from your Joe Bloggs
customer. It was just horrendous, in the first instance, and I do not know how much better it is now. Our customers do not find it the most welcoming place really and they do need advocates and people to act on their behalf.

**Ms Lunn:** As I said before, probably it is the time that they need, which often they do not have.

**Ms Howard:** I think trust as well is an important one. I think a lot of clients see the remit of Jobcentre Plus being partly to get them off benefits, so sometimes there is a bit of a trust issue.

**Q190 Chairman:** Is the issue the training of individual advisers, or better-off calculators, or whoever it is, or is it a communications problem within DWP generally? I am quite amazed at how many times we have to point out to our local Jobcentre that IB is now 104 weeks, it is not 52. If a basic thing like that is not getting communicated, obviously there is a problem somewhere, is there not? Is it more a communication problem or is it a training problem, or is it a combination?

**Ms Howard:** I think it is a combination of the two. We work across several different areas and we see a lot of inconsistency from region to region in how certain rules are implemented or certain processes are implemented. Also I think skills is a big issue. They need to have a lot of expertise and time in a job to build up that experience and understanding; so I think definitely it is a combination of the two.

**Mr Fothergill:** I agree.

**Q191 Chairman:** We are talking here about new claimants; if a new claimant thinks they have been either badly advised or just let down, they are not then going to have any confidence in things like the better-off calculation, are they, so that is going to make your job even more difficult, getting people back into work, is it not?

**Mr Fothergill:** I think that is why there is that need for the way we deal with this into-work calculator, because it is too complicated for people to use, it is just too lengthy to use really for Personal Advisers. Also I think, as an outside organisation, you have to buy it, which organisations are not willing to do, because there are other calculators out there which are quite simple but do not actually cover into-work, they are more about Housing Benefit. St Mungo’s have got one on their website but it covers only a very, very small area of personal circumstances. The trust and faith with people who have these multiple needs is being lost; also, historically, Jobcentres and Jobcentre staff, as was, never had to deal with people who were on Incapacity Benefit. Obviously, with the introduction of the Employment and Support Allowance, this is going to get more interesting for Jobcentre Plus staff, because they are going to have a raft of people with a whole raft of problems which they have never had to cope with before because they were working with work-ready people.

**Ms Howard:** There is certainly a lot of anxiety amongst clients and I think the worse your experience is the more anxiety you have and the more reluctant you are to think about employment.

**Q192 Chairman:** Abigail, the Wise Group is a DWP contractor; does Wise Group see it as a core function of its staff that they are experienced benefit advisers?

**Ms Howard:** It is not a core function of their role but certainly they need to have a good understanding of the benefits system to help their clients. I think we see their key role as being supportive of people, in whatever way they need to be supported to get a job.

**Q193 Chairman:** Does every one of your staff have to be given that level of benefits knowledge or do you designate two or three people, or whatever?

**Ms Howard:** Actually I do not know. I think there are a few members of staff in each project who probably have that knowledge but not every single member of staff has that level of knowledge and expertise.

**Q194 Chairman:** Each of your organisations essentially is about getting people in very difficult circumstances back into work. Could we not cut through all this complexity if we had, say, just a three-month roll-on of the existing benefits and you kept your wages as well? Would that not help get over a lot of this; or are you just preparing the way of the problem?

**Ms Lunn:** In some ways, I think that is back to what we have talked about, but it is giving that period of time where you build the confidence and the trust in the people being able to work, so I think it would make it better, if you did that.

**Mr Fothergill:** I think the roll-on is important but not a block grant roll-on which remains at the same amount for a considerable number of years. A short period of time, or a tapered period of time, where gradually it rises up to reality, because you cannot just give someone that and say, “Okay, go into work but we’ll still carry on paying 90% of your rent,” or “your rent in full,” because it is going to give them a completely false sense of reality. Then if that stops suddenly, as with Working Tax Credit, you just do not know where you are and you cannot afford to carry on working. There have to be roles and responsibilities on both sides.

**Q195 Chairman:** If we stick just with Housing Benefit, one of the issues is the disparity of the administrative competence of different Housing Benefit authorities. If you are looking to live in an area where they process a new claim within four weeks probably you can cope with that; if it is one of those that is taking 26 weeks, and particularly if you have got children, are you really going to risk the roof over your head on a wing and a prayer that the Housing Benefit will be sorted, probably you are not. On this general thing of, particularly, Mike, what you were saying about the second year, the in-work credit that some groups of claimants get for the first year, does that just compound this problem of the second year or actually does it help to bridge that first-year gap?

**Mr Fothergill:** Obviously we are talking about a particular client group who do not necessarily have the opportunities to progress quickly in work. If someone is going into work in the first year and they
Chairman: You may not have noticed but DWP have introduced some simplification measures. What is your experience of them; are they good, bad, you probably will say they are not far enough, but have they been useful, the ones that have been made?

Ms Howard: To be honest, I spoke to people in my work and no-one knew about it. I have read about it and I know some of the suggestions they have made seem very sensible, but I do not think we have really noticed an effect on a day to day basis, as yet.

Ms Lunn: The same for us; we have not seen a lot.

Mr Fothergill: I think actually it is quite interesting, because I ‘Googled’ the Benefits Simplification Unit quite a few times today and, apart from debates in the House, I did not really get much at all, and the debates in the House were all about the Employment and Support Allowance, which is a whole raft of interesting issues in itself. There is also a notion that there is one working-age benefit and taking away age restrictions. For the life of me, ever since I worked in that Department, I never understood why someone actually needed less money at 24 than they do at 25, which is bizarre, and why they need to pay less rent at 24 than they do at 25. As far as simplification with the Employment and Support Allowance coming in, it seems quite an interesting approach; my worry is about the whole conditionality and sanctions element of the ESA and the holding rate and the higher rate which, okay, is going to be slightly above the current Incapacity Benefit rate, allegedly, but what hoops do people have to jump through to get up to that higher rate. Also there is a sliding scale between the holding rate and the higher rate, so, to me, it is sounding like, okay, it is one benefit coming in but then there are all these complexities throughout where you have to satisfy certain conditions for work-related activity. How all of that works, I do not know, it seems to be going in one direction and then thinking, “Well, actually, we’re going to move away from that because of all the conditionality issues.” I have a real worry about people with mental health concerns being asked to engage in work activities, which I think is only right and good, but people not really understanding the multiple complexes of people with mental health issues and actually treating them in the right way and putting them into a situation that they cannot possibly sustain.

Chairman: If I can throw just a couple at you, which I hope you have got experience of; first of all, the massive change to linking rules for people on IB, it used to be eight weeks, now it is 104. That has got to be a good simplification, I would have thought. Similarly, the changes, limited though they are, to permitted working?

Mr Fothergill: ESA (?) is good, IB is good, yes, both of those.

Ms Howard: I do think it makes a massive difference, once people know about it.

Chairman: Mike, can I just check something. It is alright if you are thinking about 24 and 25 year olds; similarly, at the other end, is there any reason why people over retirement age should get more? Be very careful.

Mr Fothergill: I will. David Freud talked about getting rid of the term ‘pensioner’ and getting rid of retirement pension but paying something else in some other way, which is interesting; so that is already out in the public arena. The working age is obviously changing and increasing, and the whole thing about limiting people working when they are 65 obviously we are moving away from as people get older. To answer your question whether or not people at the age of 65 should get more money or not, I do not know; that would open a whole new can of worms really, would it not?

Chairman: I will not hold you to it. As organisations yourselves, do you see it as inevitable that you will become some sort of shield between the individual and the system, or do you think it is just a consequence of the way things are?

Ms Lunn: I suppose, as we work, we would see ourselves trying to add value so that we can support some of the best work we have done as well, we do have people based in Jobcentre Plus, for example, and they can work alongside. I think it is critical that anyone working for Jobcentre Plus sees the value of what organisations like we all are can offer to help in their work. I think, probably as you saw on your visit last week, often it is seen as competition, or people are not really sure of what you are doing and do not see it as helping people get work, and I think they need really to understand what value the voluntary sector can bring.

Mr Fothergill: I think there needs to be a whole mindset change about how the VCS and Government work together. Certainly both DWP and the VCS have specific skills to deal with different types of people, and I think the expertise should be used in the best way and funded in the best way, and funded flexibly in the best way. It is not all about just...
job outcomes, it is about soft outcomes and measuring people's progression to work and I think we could work mutually much better together. I think part of the Freud recommendation about hand-over period and JCP dealing with year one and VCS dealing with years two to four, or whatever period that may be, could work and be mutually supportive and people could learn from each other. There is also cross-skilling that needs to be done as well, because people need to know the constraints that there are in Jobcentre Plus and they have very rigid targets and a very short time in which to achieve them, and that is what it is all about. I feel very, very sorry for people working in that regime but also they have to realise that clients with multiple needs need a much longer term to work with, a much more flexible approach and much more flexible funding which will actually support that.

Q200 Chairman: Freud does talk, of course, about the private and voluntary sector, with I think more emphasis on the private than on the voluntary sector?

Mr Fothergill: I know. I am trying to avoid that one.

Q201 Mrs Humble: First of all, my apologies. Chairman, to you and my Committee colleagues and to the witnesses, for arriving late. I have been attending the installation of the Mayor of Blackpool, a very important civic event. We were also celebrating Blackpool getting into the play-offs in Wembley on Sunday; so I hope there are no Yeovil supporters in the room. I want to ask you some questions about radical reform, picking up on what the Chairman was asking you a moment ago about the incremental reform that is taking place through the DWP; forgive me if you have touched on this area already. I would like to know what your opinions are of more fundamental reform, for example, having a Single Working Age Benefit. I know that the Wise Group, in your submission, did make reference to that but then you pointed out all the difficulties as well. Abigail, if I could start with you?

Ms Howard: Interestingly, I was at IPPR this morning talking to them about their work on the Single Working Age Benefit, and I look forward to that coming out. I think I need to know more about it to make a judgment, to be honest. I think the idea is a really appealing one, the idea that there is one benefit and that is paid because you are out of work, there are additional payments on top of that which are for certain circumstances. Then again, as we said before, sometimes that starts to feel like it is going to be complex in a different way. I think I would need to know more about it. In principle, I think the idea of a Single Working Age Benefit is a very attractive one, but it is how it works in reality, I suppose, and whether we could administer it in a way that actually lives up to the promise.

Mr Fothergill: Having worked, as I banged on about before, since 1977 around the benefits system, any time that anything simplistic has been tried to be brought in something always happens to it, and there are all these anomalies and transitions that go on to protect people's existing rights, which is good but eventually it all filters through. It really worries me as to whether a Single Working Age Benefit would actually be that simple. It would be great if it could be, but there are people, obviously, with different circumstances, there are bolt-ons for children and for mortgages, and all sorts of things, that go on at the moment. That is quite straightforward. There are premiums on top of the Income Support, there are allowances for children, there are all sorts of things that go on and that is quite straightforward. I was talking a bit earlier about the Employment and Support Allowance, which seemed to be quite straightforward, top level, holding level, satisfy themes, but then there is this kind of spiralling spine of payments which seem to be being introduced as well. With this one benefit, it seems to be all these different rates and complexity, depending on what work activity you get involved in, then possibly further sanctions beyond and below the holding rate as well. Often they start off by looking simple but end up being relatively complex; there are ones which some could never be as complex as, but the age issue I do not see as a simplified difference between 24 and 25 really.

Q202 Mrs Humble: Do you think it is actually a realistic possibility, because on the one hand we have what is seen as almost dysfunctional complexity, but on the other hand we have the different needs of different people? Certainly the evidence that the Committee has had from those who represent people with disability and those who have children with disability is that they are very much aware of the complexity within the system reflects the complexity in people's lives, and therefore we do need either different sorts of benefits or different add-ons to a basic benefit. If you are going to have all the add-ons then you cannot call it a Single Working Age Benefit.

Ms Lunn: I do not know. Maybe it is more about what we have talked about before, the tools so that people can explain it better, the training and the time Jobcentre Plus staff, for example, have actually to make it simple for their clients. I think that is part of the problem.
will be circumstances where people will not have that ability or will not be able to understand what all these different complicated benefits are. If you are getting Attendance Allowance, Mobility Allowance, Disability Living Allowance, it just goes on and on. Housing Benefit, Council Tax Benefit, there is a whole raft of issues. What people want is the best outcome and if someone is severely disabled then what they are getting in income should reflect that, and there should be some kind of capability, through properly trained staff, for that to happen, but often it does not because people do not know how to administer the benefits.

Q203 Mrs Humble: Is there an argument to use the blunt instrument that might cause disadvantage to some groups simply because it does help the larger number, and indeed even help those who are disadvantaged by it to have an awareness of the situation? Although for people with severe disability, taking into account your earlier remarks about the reforms that are proposed in the Welfare Reform Act, that will in a way look after the needs of the most severely disabled, but for the rest of people if you go into work your employer does not take into account that you might have X number of children at home or other caring responsibilities, you are just paid the wage. Yes, you do get Child Benefit but other than that you get the wage. Is perhaps the issue then the level of the benefit; if the level of the benefit is set at a high enough level then would you need all the add-ons to deal with the complexities of people’s lives?

Mr Fothergill: I think if it is paid at a reasonable amount then that would be good and that could take away a lot of the complexity. I was talking about complexities before and legislation legislates for a very, very small percentage of things that may happen with people. There are all these complexities about what happens in this circumstance, which hardly ever happens really, and that takes up a lot of people’s time and effort. If you are going to pay a realistic, living benefit amount then that will be good.

Q204 Mrs Humble: The problem is paying for it, of course?

Mr Fothergill: Yes; but balancing the whole thing out may work.

Q205 John Penrose: I want just to push you a bit on this concept of the Single Working Age Benefit. Just picking up on what Joan was saying, if we have at the moment however many different benefits there are and you say, “No, we are going to have a Single Working Age Benefit and then top-ups, targeted at people who have got additional needs,” why is that inherently any simpler? You are still going to have additional forms that everyone who wants any one of those top-ups is going to have to fill in, and are you not going to end up with as many top-ups as currently you have benefits; therefore, why is it going to be any simpler?

Ms Howard: I think we acknowledge that as the risk of the system. I do not know how that would work because if you have all these different top-ups then, yes, you are looking at another form of complexity. I suppose one appealing aspect is the idea of having work at the core of that benefit, but that is a different issue, that is about the message that sends as opposed to it being any simpler to administer.

Q206 John Penrose: Is not that rather a fundamental problem? Basically, what you are saying there is the Single Working Age Benefit is one of these wonderful political mirages, like an Integrated Transport Policy, cue one nods sagely, and no-one knows what the hell it means, and it will not work necessarily. Is there anything concrete, which you can point at, which will be better about a Single Working Age Benefit?

Mr Fothergill: I think certainly you can simplify some benefits. Certainly I think around change of circumstances for the Working Tax Credit, that seems to be something which just is not working which obviously has been trialled before, as I said, with Family Credit; so that may be something you could look at.

Q207 John Penrose: That is coming back to some other question, the incremental changes, which Terry was talking about, which I think we are all agreed on. As far as it goes, I think every one signs up to, it will be done.

Mr Fothergill: A Single Working Age Benefit, I do not know; you have got too many circumstances with people, you could not come to one level.

Q208 Chairman: If it were £500 a week then you might find it would work, per individual?

Mr Fothergill: Yes; it would be something.

Q209 Chairman: Can I ask you a question in principle, and particularly you, Michael, as an ex-worker in the Department; a lot of the complexity in the legislation is legacy from previous benefits and it all just gets carried forward, and you have always had the principle of no cash losers at the time of change. Could this be made to work, change, if people’s pre-existing rights were bought out, you just gave them a lump sum and said, “Right; you were on that, you’re now on this, but to help you across that divide here’s £1,000,” £2,000, or whatever, rather than running legacy systems for years which also—and this is a technical term—nacker up the IT?

Mr Fothergill: Indeed, it does, and it has been extraordinarily complicated, each uprating year, especially when you had to use one of these; it was extremely complicated. Would people welcome a lump sum paid, I do not know. It sounds quite an interesting idea, and something I have never thought about before, I must admit.

Ms Howard: The thing that would ring alarm bells with me is making sure people were then given the help to manage that amount of money and to use it sensibly for long-term planning.
Q210 Chairman: Yes; you have always got that problem, but, in principle, it is something worth thinking about?
Mr Fothergill: Yes; if it was cost-neutral and that was the amount of money they would have over a period of time. These transitions normally peter out anyway, or used to. I cannot imagine what transitions are in place now, but certainly monetarily-wise they used to peter out year-on-year.

Q211 Chairman: Just for instance, I think you mentioned earlier the 1986 Act which brought in Income Support; the longest-running transitional claim was over seven years, somebody had no cash increase for seven years. I am sure that individual would far rather have had a lump sum at the point of change and an income that they knew would rise, if only by RPI, each year rather than no cash increase for seven years. That is exceptional, I accept, but lots, certainly into the tens of thousands, of claims were running for three years with no increase?
Mr Fothergill: A lot of them ran for two years; yes. It is certainly worth consideration, I would say.
Chairman: Thank you very much. That has been very interesting. Thank you for your time and effort and it will be reflected in our report. I have to say, it has been really useful. Thank you.
Wednesday 23 May 2007

Members present:
Mr Terry Rooney, in the Chair
Miss Anne Begg
Mrs Joan Humble
Greg Mulholland
John Penrose

Witnesses: Mr Bill Farrell, Quality Improvement Manager, Disability and Carers Service, Mr Steve Devereux, Benefit Delivery Centre Manager, Jobcentre Plus, and Ms Christine Dawes, Operational Manager, The Pension Service, gave evidence.

Q212 Chairman: Thanks very much for coming, we do appreciate it, and, in the time-honoured phrase, anything you say will be taken down and used against you. Would you mind just saying what you do?
Ms Dawes: Christine Dawes. I am an Operational Manager in the Cwmbran Pension Centre, which is one of the Transformation sites.
Mr Farrell: I am Bill Farrell. I work in the Disability and Carer Service. I am the Quality Improvement Manager, which in effect means I am trying to improve the quality and consistency of decision-making on DLA, (Disability Living Allowance), and attendance allowance.
Mr Devereux: My name is Steve Devereux. I work for Jobcentre Plus and I manage the Hull Benefit Delivery Centre which administers income support, jobseeker’s allowance and incapacity benefit for customers in what you would recognise as Humberside.

Q213 Chairman: Thank you very much. As you know, we have just been up at Lawnswood. How successful do you think the Pathfinder projects have been?
Mr Devereux: The Lean Pathfinders at the moment are fairly contained within the geographic area of the pilots and the knowledge that I have is fairly limited other than gleaned as a quality management technique. I have had some early contact with the project simply to understand what it might mean but beyond that I really could not comment on how successful it has been.
Ms Dawes: So far as the Pension Service is concerned, I really cannot comment about them.

Q214 Chairman: Is there any prospect of the evaluation being shared with people in different areas, different regions? Has anything been said about that?
Mr Farrell: In the sense of the Disability and Carer Service, where we have two Lean pilots, one within the Carer’s Allowance Unit, which I expect you will have heard about, and one which is a combination between ourselves and Jobcentre Plus, disability living allowance and incapacity benefit. The carer’s allowance is all on one site, in other words, when they arrive at the door there are back room people who are sorting out all the complex issues and all they see is a simple service being delivered to them personally. Do you think that is acceptable?
Ms Dawes: From the Pension Service point of view, although I do not know about the Pathfinders, the carer’s allowance and things, what has happened within Pension Service is that we have shared anything that we have done widely. Anything that we pilot is seen as a national initiative and is fed into the national team to take forward, so as far as Pension Service is concerned everything that we do is shared.

Q215 Chairman: Is there any concept of sharing what has been done so far with managers from other areas, other regions, other benefit centres?
Ms Dawes: I do not think that is unique and I can only give my opinion on that, but if we find that we can make it work within Pension Service I can see no reason why it would not work within JC Plus and DCS as well.

Q217 Mrs Humble: Can I ask you one or two questions from the perspective of the claimant because previous witnesses have said to us that it is acceptable to have a complex benefits system so long as claimants are shielded from that complexity. In other words, when they arrive at the door there are back room people who are sorting out all the complex issues and all they see is a simple service being delivered to them personally. Do you think that is acceptable?
Ms Dawes: From the Pension Service point of view we would like to make sure as much as possible that our customers do see a seamless service. However, because they have got complex lives and there are complexities there are some problems with that and because of that it makes it more difficult, if we are trying to administer those difficult areas, for us and our staff to make those explanations to the
around savings and investment in different types of non-state pension that are quite difficult and complex to explain to our customers and for the customers to provide us the information on. What I am saying is that it would be brilliant if the customer did flow through but we would also like to see some changes to help the staff aid our customers so as to ensure that they get their right money at the right time, which is the old BA ethos that we try to bring through there.

**Q218 Mrs Humble:** Gentlemen, I am going to ask you the same question in a minute but I just want to explore this a bit further with Christine if you do not mind because the Pension Service is highlighted as an example of an efficient, one-stop shop that most pensioners ring up, they give the information over the phone and they are told what information to give. They do not have to worry about the calculation of entitlement to pension credit; your staff are doing that, and so the back room complexity is there, but for them giving the information it is a simple system. However, now you are saying to me that in fact, even though that might work in explaining entitlement to your customers, to pensioners, you have to sometimes put back to them the complexity that your staff have been dealing with.

**Ms Dawes:** Occasionally that does happen. You are right: in the vast majority of cases it is a much simplified service and the majority of our customers would not know about the complexities. We just get into those areas when we get into the more detailed savings and investment areas where the customers have got very different types of savings and investment that we have previously seen under income support and minimum income guarantee. You will be fully aware that all the capital rules changed with pension credit and because of that it brought a lot of new savings and investment products into the Pension Service that many of our staff had never seen before, and with that we have got hundreds of different types of savings and investment that we need to consider.

**Q219 Mrs Humble:** I am not sure how much of that complexity is for your staff to deal with and how you can shield your customers from that complexity because at the end of the day you do not need to explain to your customers, surely,—tell me if I am wrong—all the details of legislative changes and what is allowable and what is not. You can surely explain to them in fairly simple terms, “Because you have an investment portfolio which includes X, Y and Z we have to take that into account and the net result is X”.

**Ms Dawes:** Yes, and that is what we would have to do but because of the complexities of all those savings and investments we cannot expect the staff on the telephone to know all of that information immediately, so there needs to be some reference for them and some call-backs when they would make those explanations to customers. The explanations might be around, if they have asked for a breakdown of their calculation, what you take into account and why you have not taken that into account.

**Q220 Mrs Humble:** Can you give me an idea what sort of percentage of pensioners fit into that more complex group and how many of them are fairly easy to deal with and who might have an experience then of the Pension Service that is fairly straightforward?

**Ms Dawes:** I think we are talking small numbers. I could not give a percentage but it would be small numbers.

**Q221 Mrs Humble:** Steve, can I ask you the same initial question? Would it be sufficient for claimants coming into your offices in Hull to go up to your front desk and be dealt with whilst your staff are dealing with all the complexities behind the scenes?

**Mr Devereux:** I think it is important that our customers are not deterred from making a claim by the complexities of the system, which means that my staff should be asking the right questions subject to the customer’s circumstances. It is driven within Jobcentre Plus, as you will be aware, I am sure, through scripted questions when a customer rings the contact centre, and we have a series of contact centres; there is one in Grimsby, which is my local contact centre, and the structured questioning should determine which is the appropriate benefit or benefits, because there could be two benefits involved in that. The customer should really be involved in delivering the information required to determine the claim and probably at that point no more than that. The complexities we can shield the customer from to some degree but customers have the right to transparency in the claim and if there are complications then we need to be able to explain those. Perhaps in your inquiries around benefit simplification one of the benefits that might come out of that is improving our ability to explain to customers exactly what it is they are getting or, arguably, why they are not getting what they think they should be getting.

**Q222 Mrs Humble:** Do your customers find they can get through to the call centre in Grimsby, because one of the concerns that has been outlined to us is waiting?

**Mr Devereux:** Yes. The Grimsby call centre takes of the order of 4,800 to 5,000 calls a week. They average between 95 and 98% successful call handling. One of the improvements we have put in place for dealing with the difficulties customers have in terms of handling is that we operate the standard operating
model. We operated it with effect from the introduction of the customer management system, CMS, that you may have heard of.

Q223 Mrs Humble: We did a report on it. I do not want to go back to that, thank you.

Mr Devereux: CMS still plays a significant part in Jobcentre Plus because that is the information gathering system that we use. I was invited to be involved in a pilot looking at the standard operating model, which subsequently became version two, and the Chairman was talking about the sharing of best practice. Sharing of best practice was fundamental to this and ultimately it was rolled out nationally onto a second version, but one of the key issues and one of the major successes is that point of contact with the customer. In the original standard operating model the customer rang in and we arranged a call-back, usually the following day but certainly within 24 hours. It had a relatively low success rate, a 70% success rate, in establishing that secondary call. As a result of the input from the pilot, a lot of staff input, customer research, that has been converted into a single call, so of the 95 to 98 of the 4,800 calls that we take each week in Grimsby approximately 73% are now dealt with in a single transaction. Customer experience and customer satisfaction are much improved.

Q224 Mrs Humble: DLA is different because DLA is very much somebody’s personal account, when they claim, of their own care needs as a result of illness or disability, so the questions for you about how to make the customer’s experience simpler have a different perspective because the claim form is not just a checklist that the claimant can tick off. Do you think the complexities in the back room, the work that your decision makers do, are sufficient to shield the claimant from the complexity of it because of the nature of the benefit? Perhaps they cannot be shielded in the same way.

Mr Farrell: As you say, the disability living allowance is complicated in the sense that it attempts to be a personal, bespoke assessment at an individual level. I think it is important that we do everything we can to make the customer experience at the front, making the claim and getting an explanation at the back, as accessible as possible, but we need to be careful that we do not simplify to the point at which the customer does not know the sorts of things they should be telling us about, the sorts of things that we need to know about to make sure that their claim is being properly assessed. Given the benefit we have to operate which Parliament has given us to deliver, we do believe we could simplify the collection of information and we have made some significant improvements in our claim packs, we refer to your experience that it may not be possible to just tick boxes. Actually, we have been working with our welfare rights contacts in our Disability Forum and we have in fact launched the first generation of a new set of claim forms. The first one that we are launching in fact takes us back to earlier generations of forms where we did have tick boxes, and we think that makes it easier for customers to identify and articulate their needs and we think it makes it easier for decision-makers to identify their needs. Those forms have been well received by lobby groups which represent people with disabilities and in fact we have had a Crystal Mark for the DLA adult claim form.

Q225 Mrs Humble: Can you let the Committee have a copy of the new form? Actually, it would be quite useful to have a copy of the old form and the new form so that we can compare them.

Mr Farrell: Certainly, yes, I can do that. We have a programme to improve the child claim form and the attendance allowance claim form in a similar sort of structure. So far we have only done the DLA claim form, so I can certainly let you have that.

Q226 Mrs Humble: Finally, can I ask you all what you know about the DWP’s Customer Insight Programme? In the submission from the Department they talked about setting up a customer insight team to understand better what customers want. Do you know what this is?

Mr Devereux: I think I can, hand on heart, say no, I do not know anything about it.

Ms Dawes: And me the same, I am afraid.

Mr Farrell: From my perspective I cannot comment on the DWP strategy but certainly in DCS, whether we would call it an insight strategy or not, we have our Customer External Relationships Directorate, and we have made it one of our policy approaches, if you like, to ensure that we try and understand our customers more. We have established links with lobby groups. We have what we call a Disability Forum, which is a group of organisations that represent the interests of disabled people that we explain our thinking to and take their advice on. If that is an insight programme I think it goes some way towards trying to establish customer insight because, as you said, DLA and AA are complicated benefits, and not only are they complicated benefits but the customers that we have to deal with start from a disadvantage in many respects and we have to help them articulate their needs. It is not sufficient to say, “There is a claim form. Fill it in”. In many cases we have to help them and understanding where they would value the help I think is part of customer insight and we have been doing some work in that area.

Q227 Miss Begg: You have touched on what I want to go on to, which is looking at lessening the complexity for the claimant, but what about from the staff side? The fact that we have got a complex benefits system has an impact on the way staff are able to do their job. How valuable would it be from the staff’s perspective if the benefit system was simpler than it is?

Mr Devereux: In terms of simplification for the staff, first and foremost more transparent and easier guidance to interpret based on a more simple legislative structure would enable a more readily communicated, more transparent benefit assessment, benefit claim, whatever the benefit might be. In so doing the customer would have a
Mr Devereux: I think it runs at different levels. I think it is for ministers to determine what sits behind a radical re-write. Internally I think there is certainly scope to look at some of the systems and the complexities there are. I can give you some examples of that at probably quite a low level of detail. The most recent one that was presented to me concerned occupational pensions, and I do not know if my colleagues can empathise with this, but simply how for means tested benefits we attribute an occupational pension which is received at the same rate by a customer every month, for the sake of argument £35 a month. We can interpret that in different ways. Whilst we have customer handling skills training in a given situation we can never quite guarantee what that response is likely to be. In terms of the training, simplification would reduce training and that in turn would make a member of staff more effective. In terms of the investment involved, again, it would reduce our investment and makes it more effective, it would improve our accuracy, the staff’s interpretation of the benefit and the assessment of the benefit, and that in turn would make for more efficient and effective use of the Exchequer. One of the things that we focus on greatly is the performance variation between officers and the complexities in the system encourage performance variation, so simplification should result in a better service to the customer.

Q228 Miss Begg: Before I bring the others in can I tease out some of the things you said? You talked about it being clearer from the legislative framework point of view. Do you think we are looking at a radical re-writing of the book, the very thick book that is produced every year with all the benefits in, or is it a re-interpretation or simpler interpretation of what already exists on the statute book?

Mr Devereux: I think it runs at different levels. I think it is for ministers to determine what sits behind a radical re-write. Internally I think there is certainly scope to look at some of the systems and the complexities there are. I can give you some examples of that at probably quite a low level of detail. The most recent one that was presented to me concerned occupational pensions, and I do not know if my colleagues can empathise with this, but simply how for means tested benefits we attribute an occupational pension which is received at the same rate by a customer every month, for the sake of argument £35 a month. We can interpret that in different ways. Whilst we have customer handling skills training in a given situation we can never quite guarantee what that response is likely to be. In terms of the training, simplification would reduce training and that in turn would make a member of staff more effective. In terms of the investment involved, again, it would reduce our investment and makes it more effective, it would improve our accuracy, the staff’s interpretation of the benefit and the assessment of the benefit, and that in turn would make for more efficient and effective use of the Exchequer. One of the things that we focus on greatly is the performance variation between officers and the complexities in the system encourage performance variation, so simplification should result in a better service to the customer.

Q229 Miss Begg: My question is why? How are you able to interpret different rates?

Mr Devereux: Every calendar month, as you know, has different numbers of days in it. We attribute a pension on a daily basis within a calendar month, so we take a different amount into account depending on whether it is a 28, a 30, a 31-day month. At face value a customer might be receiving £35 a calendar month. That is an example of a complexity which is unnecessary. It is not necessarily seen in legislation. It is something that quite clearly, having identified this, we need to pursue.

Q230 Miss Begg: That was going to be one of my questions and I might as well pursue it with you now. With that kind of obvious thing that you can see would make a difference, at your level how do you feed that off the system so that it reaches the minister’s desk and the change does come about?

Mr Devereux: It is dependent on how that situation has arisen, I guess, whether or not it is from our internal procedures and an interpretation we make, or whether or not it is something we need to escalate up through the tiers, through the Benefit Simplification Unit, to take it on board.

Q231 Miss Begg: Do you have any evidence that further up the chain they are listening to the kinds of things you are saying?

Mr Devereux: Oh yes, absolutely 100%. My director is very accommodating and is actively looking for areas we should be challenging. He is a very visible director and he is very open. He asks staff specifically to let him know of issues, such as this occupational pension issue which, if I am being honest, I have only identified in the last couple of weeks, and that is something that is tailor-made for challenge. It is almost impossible to explain that to a customer.

Q232 Miss Begg: Is that something that should be fed into the Benefit Simplification Unit, and indeed DWP itself, or how aware are you of the Benefit Simplification Unit?

Mr Devereux: I am aware of the Benefit Simplification Unit, and if it is necessary it can go to the Benefit Simplification Unit. Alternatively, it may be something that we can handle internally within Jobcentre Plus. You asked me how aware I am. I am aware that they have a website. I have read their guide which was produced last year, the latest version of it, and from within my own Benefit Delivery Centre we have made a submission and one of the areas that the submission contained was around final wages, which was announced in the Budget as a change which I think is due in April 2008. The final wages for both income support and Jobseeker’s allowance are quite a difficult area. Obviously, with a jobseeker’s allowance claim you would expect that perhaps a significant number of people have just come out of work, and that final wage packet determines from what date the jobseeker’s allowance is for payment. We need to determine from that final wage whether there is holiday pay, pay in lieu of notice, et cetera. It is not readily identifiable. It is usually contained in that, which means we go back to an employer. We ask our customer to go back to the employer. They may have parted company not necessarily on the most pleasant of terms. The employer may not be cooperative. At the last analysis within my centre, when we analysed outstanding jobseeker’s allowance claims, 42% of the work was waiting for further information from employers. That is an example of a change that has been taken on board. That was suggested not only by my staff but also by others; I certainly would not dream of claiming
credit for it, that if we took that forward we could impact on a wide number of customers and move the work forward.

**Q233 Miss Begg:** I am just hoping that it may solve the problem for my own constituent who works for an agency offshore but they do not take account of his time off in lieu because he has been offshore for three weeks so he gets his P45, which he thinks should be the trigger that he is then unemployed. Of course, the DWP do not say that. That is possibly not something that you get in your area but I accept that there are all these complications. Can I ask the other two at the table what benefit to staff in terms of the staff that you are responsible for would come through any simplification in the system?  
**Mr Farrell:** Taking DLA and AA, if you were to simplify the benefit the amount of judgment and discretion and the training and support that underpins all of that would be significantly reduced but, of course, that would strike at the very heart of the benefit. DLA and AA are designed to be specific and Parliament have asked us to target the benefit in specific areas. If you made it much more simple you would lose the purpose for which DLA and AA were conceived. The direct answer to your question, would it make life easier if the legislation was see if we can do more to secure that evidence they have been taking a great deal of care over then go to appeal and are overturned?  
**Mr Farrell:** I do not think it impacts on the morale of the staff to the extent you may think. The overturn rate is slightly less than 50% now. It is of the order of just under 40%, but, of course, it is a small proportion of the decisions that we give that go to appeal.

**Q234 Miss Begg:** In your case is the balance right then between making sure that the money goes to the right person versus the difficulties of making that judgment, and indeed of the claims that go to appeal 50% are returned, so that must have an impact on the morale of your staff where their decisions that they have been taking a great deal of care over then go to appeal and are overturned?  
**Mr Farrell:** I do not think it impacts on the morale of the staff to the extent you may think. The overturn rate is slightly less than 50% now. It is of the order of just under 40%, but, of course, it is a small proportion of the decisions that we give that go to appeal.

**Q235 Miss Begg:** Yes, it is 40% of those that go to appeal.  
**Mr Farrell:** The President of the Tribunal Service tells us that the vast majority of the new decisions that come from his activity are because something new came up, a new piece of evidence was presented, usually orally on the day. What we are striving to do is see if we can do more to secure that evidence before it goes to the tribunal. You can simplify the legislation or you can simplify the way the operational division delivers it. We have made some suggestions where things might be changed legislatively, but we are focusing the business on trying to improve the way in which we operate. As I have said to your colleague, Mrs Humble, we have changed the claim form and we have changed some of our letters and we have improved our training and guidance. We are doing more targeted checking to try and reduce the variation, which is what creates the dispute and creates the high appeal rate. In some situations there is some evidence to suggest that if we collect the information correctly and we keep the customer informed about what we are doing and why we have decided what we have decided the rate at which they dispute falls off.

**Q236 Miss Begg:** Could I go back to Steve on the whole issue of discretion because is it not the case that the reason that many of the working age benefits are so complex is that we try to rule out independent discretion to make the system fair and as a result of that attempt to make the system fair we have made it even more complex because all rolled up in this are all the historical benefits that protect what people have? How do you get the fairness, transparency and simplicity at the same time as you might want to have an element of discretion like judging that somebody who gets £35 a month gets £35 a month regardless of how many days in the month? How do you weigh those two things up or is it possible?  
**Mr Devereux:** We have got the difficulty of rules-based benefits systems, which are what we operate. We administer rules-based benefit systems and the amount of discretion and judgment in there is hopefully at a minimum. We do have difficulties. Every change brings the potential for there to be a loser in there. Incapacity benefit is perhaps the most obvious one, which has gone through a series of changes in my lifetime, sickness benefit through to invalidity benefit through to incapacity benefit, and each one of these changes produces something to protect because of the rules that are introduced. You may have heard of the phrase “transitional protection”, which is arguably the bane of my life and certainly the bane of my staff’s life. We tend to find that some staff have to be retained within a benefit such as incapacity benefit simply because they know the transitional protection rules and are able to explain those, but that knowledge, of course, is withering.

**Q237 Miss Begg:** Do you think there is a case for perhaps buying out people’s rights when a change comes along so that you do not have to keep operating the old systems? Do you think that would add to the simplification and would it be cheaper in the long run to offer £1,000 to buy out people’s rights, for example?  
**Mr Devereux:** I could not possibly comment about whether it would be cheaper in the long run. From an administration standpoint it is certainly simpler in the long run. I do not know how employment support allowance at this moment in time is going to impact on things like transitional protection. It will start and new claims will be taken on but there is certainly going to be a question about the existing incapacity benefit customers as they transfer at some point and migrate onto employment support allowance. That seems to me like an opportunity.

**Q238 Miss Begg:** So you roll up the severe disablement allowance as well as 1B and all the others into that?
Mr Devereux: It seems like an opportunity to me. It will be for ministers to determine a way forward on that.

Q239 Miss Begg: I do not know if you are quite the right people to ask because part of the reason that government of all hues have always tried to protect during transition is that they do not want those vulnerable people in society losing out and it is a kind of reaction that again might be perceived as unfair, that suddenly a particular group of people, just because they have been on a benefit longer, are getting a lump sum. Would that cause problems?

Mr Devereux: I think the intention is laudable and I think at point of transfer is the point where it should be examined. I can only speak from my position as a manager who is having to deal with staff who work with things like transitional protection. It is something I cannot possibly train new staff to do. There is absolutely no way I can train new staff to understand issues that came to pass 15, 20 years ago, and I am left being very dependent on a limited number of staff who have got that technical expertise.

Q240 Miss Begg: I was going to come back to the changes but I just thought I had better let Christine have a shot at the question about the simplification. In the Pension Service you have simplified quite dramatically and your Transformation Service has radically changed the way that the Pension Service does things and as a result your headcount is coming down. Is that a good thing or a bad thing?

Ms Dawes: Again, I cannot really comment on a good thing or a bad thing. What I can say about simplification and the benefits for staff is that our front line staff are there trying to provide a first-class service for all of our customers. The simplification in that really rubs off on the customers. Things like the pension credit claim, the state pension claim and also the housing benefit and council tax claim may all be taken during one telephone call. Simplification might help us in some areas to improve that service for those for whom we cannot do one-touch-and-go, so for those customers who have got a bit more complexity in their lives we need some simplification around some of the rules. It would help the customers because we would get their claims through more quickly. It would help the front-line staff whom we expect to have a good awareness of two benefits to be able to process those through end to end, plus the knowledge of housing benefit and council tax benefit, so my gut reaction is that yes, there is a lot in simplification that would help our staff but the knock-on effect is really for the customer and customer service.

Miss Begg: The way that the Pension Service has gone about it through your Transformation process, is there a lesson to be learned for the other elements in the DWP, that that is the way to go, that is the model that they should follow, or is it that people of non-working age and of the stable population have less complex lives in as much as they are not going to get pregnant and they do not have young children?

Mrs Humble: I do not know about that.
programme we are talking about emerged from Glasgow and it was shared nationally. Now it has been implemented nationally.

Q245 Miss Begg: What we have heard up to now is that very often by the time the claim gets to the Benefit Delivery Centre there is a lot of information that is missing. There may be faults in the script at the call centres and the contact centre side, or the people in Jobcentre Plus have not asked the right questions, so would it not be the case that if those staff, those front-line staff, the staff who have contact with a claimant, had a bit better knowledge of the benefits and the ball park that these claimants might fall into so that they knew roughly which benefit they were likely to be able to claim it would make life easier for those who are doing the final benefits calculation?

Mr Devereux: I can only give you a personal opinion on that. My opinion would be that an understanding of the benefit conditionality would enhance the information gathering process. Whether or not those staff need a full knowledge of claims processing I think is questionable.

Q246 Miss Begg: They do not have to know how to calculate it but they should know roughly if somebody is coming in who is six months’ pregnant and has five kids and so on?

Mr Devereux: I think within reason. We are talking about the complexities. The complexities are handleable within the benefit delivery environment, where clearly we do have the experts and we talk down there about the need for simplicity with customers, simplicity for ease of access. I think we are talking about the information gathering process in those early stages. I think the improved understanding would enhance that information gathering. In terms of how much information is missing, roughly 56% of the jobseeker’s allowance claims, for example, that my Benefit Delivery Centre takes are fully evidenced, fully supported. That means that 44% are not, of course, but 56% are. One of the changes that we brought in by the revision of the standard operating model was to move some of that expertise, if you like, into the Benefit Delivery Centres. Some of the delays that I am sure your constituents will have come to you with around things like jobseeker’s allowance claims were clearly caused by a lack of expertise within Jobcentres. To some extent we have changed the process. The pilot that I talked about earlier, when we introduced it, demonstrated a 30% improvement in our clearance times, that is, our clearance to our customer, simply by a change in the process.

Q247 Chairman: So is there enough staff training around all this?

Mr Devereux: I believe there is enough staff training. I think it is a very difficult area. When is staff training adequate and complete? It is variable depending on the individual, their learning styles, their knowledge needs, but in terms of the training itself we now operate something called blended learning, which is a combination of e-learning facilitated classroom training, on the job consolidation, work with a mentor in a live environment, and it is important we get that blend right, particularly during the early days. It takes roughly three months to train a benefit processor as distinct from an information gatherer to such a standard that they are then able to deliver perhaps not the full expected output but an acceptable output and an output that we look to see improving over the subsequent months. We are talking about quite a lengthy and complicated process.

Q248 Greg Mulholland: First of all, may I say how much of a pleasure it is to be attending a select committee meeting in my home city of Leeds. We have already mentioned the bugbear of IT and communications. First of all, although we are aware that the DWP have made improvements to written communications, which we acknowledge, the Committee has still heard about claimants receiving unintelligible letters. For complex cases is it possible to manually intervene in those cases in the system and produce a letter that people can understand?

Ms Dawes: In the Pension Service what we are doing through Transformation is trying to weed out some of that complexity in the letter writing, and the pensions Transformation team are looking critically at the letters that are produced from our legacy systems with a view to putting them in the front end, which is our customer account manager, and simplifying the letters that go out through that medium. What the customer account manager does for us is allow us in a lot of instances to interact and get out the letters in a reasonable format so we have paragraphs that we can insert and take out rather than the old letters that we used to have through ISCS which went out with lots of information that the customers did not really know about.

Mr Farrell: From the DCS perspective, to answer your question directly, Mr Mulholland, can we intervene, the answer is yes, we can and we have been looking increasingly at that. When it became clear that the larger DWP computer project would perhaps not come to fruition in the time frames that we thought we started to focus on what we could do within our small systems, and some of the letters that cause complications for our customers are the letters that explain the decision that we have made. We are intervening locally to produce letters that are more bespoke to help customers focus on why we have made the decision that we have made. We think it is important to do that because DLA is a complicated benefit. We do the very best we can to collect the information and on that information make a decision but there will still be a situation in which the customer needs to know that if we have misunderstood something or not collected something we can reconsider the position without the necessity for a formal appeal. It is important that our letters convey that and we have made some changes to that.

Mr Devereux: From a working age benefit perspective we still operate legacy systems such as ISCS which has just been mentioned. These were originally introduced as building block systems, so
Mr Devereux: It is possible to influence the system driven output in the main frame is less marked, so we do have a one-size-fits-all letter system. That said, going back to a point my colleague made about the small systems, many of our complex decisions are dealt with within the Benefit Delivery Centres by specialist decision-makers. They do send a far more personal decision to our customers. One of the things that is promising from the employment and support allowance standpoint is that that will be delivered from the customer account management platform that my colleague spoke about and that should allow us greater flexibility in terms of the system for our letters.

Q249 Greg Mulholland: It almost sounds as if Jobcentre Plus would require a system change. I am not going to put you on the spot and say can we all assure our constituents that these letters will be a thing of the past, but it sounds as if there is the ability to intervene manually in the two areas that Christine and Bill have mentioned, but in Jobcentre Plus there is perhaps not so much the ability to do that.

Mr Devereux: There is not as much flexibility. When a processor pushes the button to finalise a claim a letter is generated 200 miles away. That processor cannot necessarily suppress that letter, so there is a bit of a one-size-fits-all, but going back to the point I made about the more complex decision, that is a decision which is issued off a small system and it is far more personal and should address that individual customer’s circumstances.

Q250 Greg Mulholland: Do you think there is a possibility of dealing with the vast majority of the cases to improve those as well?

Mr Devereux: I could not, to be honest, answer from my personal position.

Q251 Greg Mulholland: Now I have a more general question about IT. Certainly, as has already been discussed, it has been a big issue that the Committee has dealt with over the last few years. I am sure you will agree that IT can be, as well as a cure for complexity, which is what we are looking at, certainly in our experience also a cause of complexity. Have you got any examples from your own areas where IT systems have clearly simplified things and have you got any examples where you believe that IT systems have made things more complicated?

Mr Farrell: From the DCS perspective our capacity to use IT systems in DLA and AA to make decisions, for example, is limited. It is a discretionary benefit and there is individual adjudication, but where we have found scope for using IT is in guidance. We have a CMS. It means that a customer can contact a single point and be dealt with, so it is an information gathering system which on the one hand, although there are a lot of questions in it, should enable that process, but on the reverse of that coin it has proved a difficult system for the user to operate and is very sensitive to user error, and a lot of work has gone on to try and improve that. User error is a bit of a catch-all phrase. Implicit in that is that training should be improved and it is an area you can never ignore but equally it has proved a very pedantic system which will fail with any sort of error by a user.

Q252 Greg Mulholland: That is something that we have heard a lot of evidence on. In terms of sharing of information, we recently visited a Jobcentre Plus in Stratford in London and were surprised that staff there were having to input data twice, so clearly we do not have in all areas systems that allow data to be entered once and then shared, which would be a sensible thing. What progress are you making across the board in terms of sharing of information, for example, through the Customer Databases Programme which is mentioned in the 2006-07 simplification plan?

Ms Dawes: The customer database information we would call our customer information system, which has replaced the old departmental central index. What we have done within our combined pension centre is to roll that out so we are fully operational in that. Once the information is on that system it is widely available throughout DWP for anybody who has the customer information system. I know there is a roll-out programme so I am not sure where
others in DCS and Jobcentre Plus are with their roll-out, but my understanding is that as that builds up it is a DWP-wide customer personal information system that will be there for all. 

Mr Devereux: Indeed it has rolled out and Jobcentre Plus is alive to that and a further example of sharing is that that information is available to local authorities and has reduced the number of inquiries we receive from housing benefit and council tax benefit staff. We have a number of close work initiatives to ensure that there is an understanding of what CIS can be used for and we have a regular programme of contacts with, in my case, the four local authorities that we service.

Mr Farrell: We are able to access information from a common database on that. It is perhaps not as automated as it might be but its introduction has enabled us to drive some of the changes of the new generation forums. We do not now have to ask as many questions about other benefits that might be being paid because why should the customer be asked to tell us things that we should already know?

Greg Mulholland: That sounds positive. Thank you.

Q253 John Penrose: I just want to follow up on some of the issues which Anne Begg was starting to touch on in her earlier questions about the progress so far on simplification. You have all indicated that you interact periodically with the Benefit Simplification Unit and you are aware of what they do. When an idea comes up for simplification or process improvements of one sort or another in your respective areas what authority do you have to just get on and do it, and where do you not have that authority what do you do to get it?

Mr Devereux: In terms of authority to get on and do it, it is very dependent on the nature of the simplification. Complexity again run at different levels, whether it be an interpretation or whether it be a process issue. Some of the complexities we have are literally around process issues. Within the context of making a claim within my area of responsibility I have a fair degree of authority. I chair a region-wide improvement group. I would share that change with colleagues. In terms of having to escalate an issue, if it were something that required greater authority, or indeed impacted on legislation, clearly I would escalate that through my line manager to the director who would then engage with policy colleagues.

Q254 John Penrose: Can you give us an idea of how many of these ideas you are coming up with per month and what proportion you just do and what proportion you share and then do and what proportion you have to escalate?

Mr Devereux: I cannot quantify that, to be frank. In terms of what proportion do I do where it lies within my authority, these ideas predominantly come from the staff. We are not all-knowing, all-seeing. Staff identify what the barriers are in terms of customer interaction, and one of the benefits with the Lean programme ultimately when it rolls out is that it will give a greater structure to how we activate those changes, how we share those changes, how we enable them on a wider spread basis. In terms of across region, within Jobcentre Plus we operate across 11 government regions. My line manager works within a management structure and I would anticipate that ideas, suggestions, obstacle barriers would be escalated through that route.

Q255 John Penrose: I am not asking for hard numbers. I guess I am just trying to work out is most stuff things that you can just get on and do yourself or is most stuff things that you have to escalate?

Mr Devereux: I think it would be fair to say that most stuff is not something that you get on and do. I tried to give the example of the occupational pension previously and the attribution of that. That is an example of most stuff that I will get on and change, and I will get on and change that across Yorkshire.

Q256 John Penrose: And when you escalate something how difficult is it to get an approval either within a short amount of time or ever?

Mr Devereux: I think we are probably talking here about ever rather than a short amount of time.

Q257 John Penrose: Can I ask the same question of Bill and Christine?

Mr Farrell: We operate a fairly conventional change control process. We actively canvass for ideas. One of the difficulties that we have had in DLA and AA though is the customer challenge about inconsistency, inconsistency within units and between units, inconsistency of decisions, so although we encourage innovation we need to be careful that different units do not just go off, so we have to corral some of this. We have a change control process. To answer your direct question, if it is an operational change that can survive change control, it is cost effective, it is efficient, it does not conflict with ministerial strategy or policy, we would almost certainly just get on and do it. As Steve has said, a lot of the change that is within our control is operational change and we believe we can make significant operational changes to improve things and we have done. It would be hard to give you even a feel for the sorts of numbers involved. If you feel you need something I could get you some information.

Q258 John Penrose: And the things you have to escalate do you get rapid responses on?

Mr Farrell: I think we do get a sympathetic response to policy change though something that from a staff perspective looks really simple and straightforward can have quite a serious impact. Programme spend can be seriously impacted. Ministerial strategy could be significantly impacted. You asked for an example. One of the things that the staff in DLA particularly have always found difficult is a concept called the double-dated claim pack, which you may have heard of.

Q259 John Penrose: We have just been briefed about the package of changes and it is supposed to be going to be much better in the future.
Mr Farrell: There has been significant concern about this. Not only is it difficult for the staff, but customers react to it as well. That has survived a number of attempts without impact but in recent months we have managed to persuade policy and—

Q260 John Penrose: When did you first start trying to get that change?

Mr Farrell: To be brutally frank, I think operational staff have been concerned about this double-dating since the concept of double-dating was introduced.

Q261 John Penrose: Which was?

Mr Farrell: Probably with the start of the benefit, 1992.

Q262 John Penrose: So 15 years ago?

Mr Farrell: There was an explicable reason for it not doing it.

Mr Farrell: Yes. There was a sound reason at the time but the staff said that it was difficult and have said so ever since.

Ms Dawes: Again, with Transformation we are very much listened to around processes and what we can do with processes. I can, hand on heart, say that I really do make a difference when it comes to those sorts of issues. From a personal point of view, because Transformation does span two benefit systems, what does not happen at times is that the process is seamlessly linked. The system was built with Transformation in mind without a link back to legacy. In reality we do need that link into the old legacy systems. Those things could not come out until we went live and operational. A number have come up but we have escalated through our pensions Transformation programme. I have the ability to make changes initially myself within the centres and they are shared through the ten-centre network. They go up through PTP and PTP make the changes to the system to allow it to go through and be seamless that way, and numerous of those have happened since go-live.

Q264 John Penrose: It sounds as though all three of you have processes and systems to try and create improvements. Has the Benefit Simplification Unit’s work made any difference to you? It sounds like you were doing lots of this stuff before.

Mr Devereux: We are all working to improve processes and interpretations. I think where the Benefit Simplification Unit will come to the fore is where we need the drive behind that bigger change.

Q265 John Penrose: So is it the policy side?

Mr Devereux: Final wage details is the example to make. We can make such a difference to an awful lot of customers, an awful lot of your constituents, very quickly. We can improve the service if we can get that change through. It is on the stocks. It was announced. I understand it is due in April 2008. If it were sooner than that, the sooner the better as far as I and my staff are concerned. When I talked about how long does it take, it is going to depend on whether we’re getting into legislative change as distinct from process change or even interpretation of guidance.

Ms Dawes: I can totally reiterate that, and although the Benefit Simplification Unit at the moment have been concentrating on working age benefit, what it has done is raise the profile to us within Pension Service and we have a team working within simplification as a result of that, so although the unit are not focused on that it has been a catalyst for us and we are taking work forward that way.

Mr Devereux: From our perspective it sends out a signal that we need to have a focal point. It is an opportunity to co-ordinate change because a change might look so straightforward and simple in a benefit specific to me but it may have impacts that we may not have appreciated and the Benefit Simplification Unit provides a focus for that sort of viewpoint.

Q266 Chairman: The first time I heard the final wages argument was about 1974, so 33 years ago. It is not bad for getting simplification.

Mr Devereux: It was probably the first time I mentioned it.

Chairman: Can I thank you very much because that has been really interesting. We really appreciate that and we will send you a signed copy of our report.

Witnesses: Mr Tom Penn, Representative on the DWP Group Executive Committee, and Mr Charles Law, Negotiations Officer, PCS, gave evidence.

Chairman: Thank you for finding the time to respond to our invitation to give evidence. I know DWP is a constant concern for PCS and we do appreciate you taking the time to be with us today.

Q267 Greg Mulholland: The vast majority of evidence that we have had in terms of the memorandum that we have received has said that some form of simplification of the benefits system would be a good thing, which is hardly surprising. What does PCS envisage by simplification?

Mr Law: Our view is, probably like everybody else’s, that no-one is going to argue for complexity for the sake of it. Our concern has to be that simplification can be used as an excuse or a guise for reductions in administration costs and staffing and things like that that the Department are under pressure to achieve at the moment. We are certainly very concerned that the Department’s approach to simplification is not simplification in order to improve the benefits system or even simplification for the sake of producing a simpler benefits system. It is being driven by other factors which are more to do with the pressure on efficiency savings that the Department is currently under.
Q268 Greg Mulholland: What evidence is there that the Department’s attempts to simplify the benefits system have been motivated by, and the quotation from your memorandum that we received was, “financial savings in both benefit expenditure and administration rather than improving the benefit system for citizens”. What evidence can you provide us with of that?

Mr Law: The Department produce a simplification guide to best practice and there is a covering note which is signed by the Permanent Secretary and one of the Government ministers that says that one of the benefits of simplification is that it will enable us to make efficient savings, so there are things like that, but the more general point is that the demands on the Department for efficiency savings are huge at the moment and they should not be underestimated with the 30,000 reduction in jobs by next April followed by 5% year on year reductions in the Budget. It would seem to me inevitable that in that situation they have to look at everything, and indeed they are looking at everything in order to be able to live within extremely restricted means.

Q269 Greg Mulholland: Putting you on the spot, what would be PCS’s view of the progress report, if you like, on what the Department has done to date in terms of simplification?

Mr Penn: If I can use fairly simplistic language,—

Q270 Greg Mulholland: — the way it is perceived, and I reiterate what Charles has said, we are not opposed to simplification because of the points made by colleagues before, that there are benefits to our members as well in simplification of the benefits system and simplification of the payment system. In the current climate what we are seeing is not a visible simplification. What we are seeing is desperate measures to cut corners with processes. Our position would be that we have a very complex and labyrinthine benefit system in this country. It has been building up for a long time and has been added to, but there are parts of it which are unnecessary and need to be updated. What we would see from our perspective as a correct way of approaching simplification would be a root and branch review and a serious assessment of what is essential, what can be removed, what can be updated, what resources we need for it, and then deliver it that way rather than, “These are the resources we have. Which bits can we tear off the edge?”.

Q271 Greg Mulholland: On that note, if you were in a position of being advisers to the Department where do you think the Department should concentrate its efforts to try and simplify IT processes, for example?

Mr Law: In terms of IT, lessons need to be learned from some of the IT projects that have been in recent years in DWP that have varied from not too good to absolutely appalling and have put enormous pressure on our members working for the Department in a lot of areas. As I say, the lessons from those need to be learned and I think that the lessons are that there needs to be far more IT expertise within the Department to be able to make decent judgments in advance of commissioning some of these projects and sometimes decide that it is not appropriate to commission but instead to develop in-house expertise to roll out IT systems that will genuinely support people. Unfortunately, that is not an approach that seems to curry any favour at the moment and we run from one project to another to another with each one experiencing serious problems. There are examples of IT solutions that the Department have brought in that, far from being a solution, have made benefit simplification and policy simplification a lot worse. A good example that destroyed a policy was the child support computer system, although that is not a benefit. It coincided with a major simplification of the legislation and policy but a computer system was brought in at the same time and it completely undermined the policy simplification, and that policy has now been ditched by the Government and a new one is being brought in as a result. I think lessons like that need to be learned and there needs to be a major re-think about the whole approach to IT generally.

Q272 Greg Mulholland: How optimistic are you that the customer account management system which, as you know, is currently being used in Pension Service and is to be used as part of the employment support allowance, will improve the customer experience?

Mr Penn: I can report the details that have been given to me as an assistant secretary and negotiator within the union. I consult with the people on the front end, the practitioners who are actually doing the job and who are using it. What has been reported to me about CAM is first of all that it is not able to cope with the intricacies of the benefits, specifically the income related aspect of pension credit. It allegedly works very well where somebody has been given a pension credit if their only income is a state pension. It is able to liaise with the computer. If there is any variation, for example, a mortgage or an occupational pension, then the CAM cannot deal with that and the claim has to be taken off and built on the legacy systems. The details that have been reported to me today were that up to 80% of claims are not doable end to end on CAM. Those are the figures that are given to me. If that is the case I am less than optimistic of it being rolled out across Jobcentre Plus where there is perhaps not as much variation but there is still a lot of variation. From a PCS perspective we are doubtful that the system as it stands could be rolled out without severe damage to the payments system for our customers.

Q273 Greg Mulholland: So it is obviously a very real concern?

Mr Penn: It is.

Q274 Miss Begg: You state in your memorandum that the centralisation of Jobcentre Plus has exacerbated complexity in the benefits system, so what do you think have been the key factors causing
this and are they related to short-term transitional problems, which we have alluded to already, or are there underlying problems with the model?

Mr Law: In terms of the centralisation there are problems with the model but it is a bit of both. There have been problems in implementation. In terms of the model, we now have a system whereby to make a claim you have to go to three different arms of the Jobcentre Plus organisation and sometimes a bit of paper follows that around as well, where previously you could be dealt with very often by people all within the same town or city where you live. That can cause confusion for the customers. They are not quite sure who to talk to and it is rare now that they will get the benefit of talking to the same person or having a name to contact which a lot of people value. Similarly, there has been a drive to discourage people from calling in at DWP offices for face-to-face contact unless specifically invited to come for a personal adviser interview or something like that. Again, that can work for a lot of people dealing with contact centres but there are a lot of people who also prefer or even need different methods of contact. I think Jobcentre Plus have adopted too much of a one-size-fits-all approach with this new model.

Q275 Miss Begg: But is the model not better for your members in as much as they are able to manage their workload far more efficiently under this model than they could under the old model where part of the reason for the screens was that you had rows and rows of people sitting waiting because they had made an appointment, whether it was in the benefits office or the old unemployment office? Mr Law: Sadly, the arguments for the screens have not necessarily gone away. There are a large number of assaults each year on staff working in DWP offices, so I have made that point first of all. In terms of improving the working lives of our members, what our members are experiencing increasingly is greater segmentation of their working life, withdrawals of the kinds of flexibilities that people have long valued, such as the ability to vary working hours on a day to day basis and things like that, and also in terms of dealing with the customers there are pressures to restrict the length of telephone calls to a certain amount of time. You can have your line manager getting on your back afterwards if you speak for too long, and so that has discouraged people from going that extra mile to help somebody if they think they can help that person, and instead just sticking very much to a script and not deviating from it and after so long in the phone call you say, “Sorry, but your time is up. I have to go on to the next person”. I do not think that that generally is favoured by our members. I think a lot of people are finding the lack of control over their working environment that the new model has introduced is problematic.

Mr Penn: In the predecessor organisations, the Employment Service and the Benefits Agency, I was an Employment Service steward. My entire working life was spent working in an employment exchange under its various incarnations. For the 30-odd years I have worked for the organisation one of the areas that has been recognised as a potential flash point was somebody being told, “No, you cannot have your money”. “Why not?” “I cannot tell you. It is nothing to do with us”. The employment exchanges were guilty of doing that and people were then sent to the social security office where they had the screens and that was a flash point. They would come back and have a go at the individual there and then. In the current system, and I understand the point you make and on the face of it, yes, it would be better if it were more easily managed, but what is happening at the moment in reality, and members regularly come to us in frustration about, is that if you are on the front line in the Jobcentre Plus office and somebody comes in and says, “Can you help me with my benefit?”, the guidance is that, “No, you need to make a telephone call and ring this number”, and that is a different flash point. It is just moving the flash point around.

Q276 Miss Begg: Would that be easier if there were wall phones and easy access to them? We found over in Stratford that there were wall phones. Would that help in the short term until people got used to the new model, to have more phones available in the offices for people who have got into the habit of doing that or that is what they have always done in the past, that is, gone into the DWP office?

Mr Penn: That may be a solution. Our preferred solution would be to go back to what they had when they first launched, a one-stop-shop where somebody could come in and deal with one person and get all their questions sorted there and then, but if there were more wall phones that is a possibility, that it might remove some of the pressures, but with the ongoing contraction of estate and initiatives such as I think have been reported to the Committee previously about reducing footfall, that is, specific initiatives to discourage customers from coming in, I am not sure about that.

Q277 Miss Begg: My colleague has more questions on that but, just to finish off my questions, John mentioned to the last set of witnesses that we did look at the operation of the CMS when it was not operating, which is the kindest thing I can say. I think. That is now historical and so can I get your take on how well CMS 3 is doing now? Is it better, is it improving, or are there still fundamental problems with the way that the CMS is being implemented and used and the way it runs?

Mr Penn: I am not aware of any big issues. There are always ongoing issues, but there is nothing fundamental with it.

Q278 Miss Begg: I do not mean the normal things that you get with IT. Was that just that when it went live two summers ago nobody could get through and it was almost in freefall?

Mr Penn: I believe that was flawed at that time and from what I can see those flaws have been fixed with the regular fixes. There does not seem to be that much difficulty with it now.
Q279 Mrs Humble: One of the key elements in our report on efficiency savings that covered largely what had happened in CMS but went beyond there as well was that staff should be properly trained and trained at the appropriate level for their grade and the sort of work they should do. Do you think that DWP’s staff are appropriately trained, both to do their job in delivering benefits and also to advise customers on what has been happening to their claim and why they have been allowed or disallowed it?

Mr Law: There are good elements to the Department’s training programmes and there are problems with it. The overall package that a new entrant would receive is often good. I think where you get problems, particularly as new projects are being rolled out or whatever it may be, is that that often that leads to a lot of pressure on the management to release people from the section when they cannot really afford to because there is too much work going on. The experience that we get from members is that they often put themselves down to attend a training course or to do one of these e-learning sessions and they either cannot get a quiet desk to do the e-learning or the manager cannot spare them to let them go away on the training session. It is not necessarily that there are flaws in the training. It is often getting access to the training on a very simple level. The only thing I would add to that is that what members are not trained to do is provide a sort of authoritative guidance to customers on the benefits system as a whole and in terms of dealing with people who may have a complaint or whatever I think there is work to be done there because that is difficult and a lot of people find that very challenging because the calls can be very awkward and unpleasant for the members of staff having to deal with them. That is an area where more work needs to be done, not just in training but also in offering support for people who have had to deal with very difficult calls that can be upsetting and can result in people going off sick with stress and things like that.

Q280 Mrs Humble: I want to explore that point a little further in a minute but I am aware that the Public Accounts Committee in a report that it produced last year specifically on training mentioned that the reduction in the size of the Department’s workforce by 30,000 by 2008 “is an opportunity to increase the amount of training per head in order to enhance productivity and improve standards of customer service”. Do you think that the Department should try to use some of the savings it is making over the next few years to redeploy those resources to enhance that training and support?

Mr Law: I think we would like to see a lot of those savings recycled back into the Department and used to invest in the staff in a number of ways, of which training would be one. Unfortunately, there is very little evidence of that happening and I think that there are new training courses being offered and delivered that people can say, “Okay, we have lost a lot of people but here are improvements”. It is, “We have lost a lot of people but you are all going to have to work that little bit harder, suffer that little bit more pressure and that little bit more stress”. We are not seeing any evidence of that but we would very much welcome it if it came along.

Q281 Mrs Humble: Finally, I want to go back to the comments that you were making earlier about how staff respond to claimants and, Tom, you mentioned that if somebody comes into the office and a member of staff cannot deal with whatever they are asking, you say, “Go to that phone and ring whoever”. One of the changes that has been introduced over recent years has been through the personal adviser system trying to achieve that one-stop-shop that you also mentioned that Leigh Lewis had as his Holy Grail, and I have always believed that that was to enable that one person to look at the individual claimant in the round and offer them whatever advice needed to be given about their entitlement to benefit and also the support that might be available for child care and all sorts of other issues, but in fact there is no statutory duty on staff to advise claimants on the benefits system, and indeed some of your evidence and evidence that we have had from other people says that there are circumstances where staff are actively told not to advise people. Do you think it would be of benefit to the staff if there was a statutory duty upon them to advise people because that might change their relationship with the claimant and perhaps there would not be the flash points that you are talking about?

Mr Penn: I was a lone parent adviser in my last incarnation of the tools, so to speak, so I can speak from personal experience of the value of that relationship with the customer of being able to engage with somebody on an ongoing basis and to address all the issues. I was able at the time to calculate benefits, not necessarily deliver them or organise them but I knew what that person was entitled to, I had a fully rounded knowledge and was able to advise and signpost the customer to appropriate support and benefits. That was an invaluable thing for me but that was an accumulation of 30 years of experience working in that particular organisation, and at the time we had six weeks’ intensive training which covered benefits as well. That is not available at the moment. We have contracted a little bit and the adviser, quite rightly, I think, is focusing on identifying the barriers that are preventing people from going back-to-work and helping them to get to that work and pointing them at the right thing. If there was a statutory duty on an adviser to advise on benefits, first of all there would be a massive training need to bring them up to date with every benefit that is likely to be available for any of the individual customers that access the different pots of money, but also I think it could detract from the service they offer. At the moment most advisers have 40 minutes to do an in-depth interview. If we were to advise on benefits that could take up at least 20 minutes and there are other issues as well. What we would prefer as PCS would be to see adequate training and resources given to everybody but not a statutory duty. That sounds a bit contradictory but all my adviser members on a daily basis ring me up
frustrated because they believe in the job and want to offer the best service they can. If they had all the information available they could but because of the size of the benefits regime it is not possible for one person to know every type of benefit. It links into the simplification. If there was a simplified version then yes, I could see it working. As it stands I would be making for the door if you said, “You have a duty to advise a customer correctly”.

Q282 John Penrose: I just want to pick up on the question of staff involvement in ideas for simplification. We have been today to Lawnswood to see some of the Lean Pathfinders, and you were here, I think, for the earlier evidence where we were hearing about some of the more general approaches to how simplification ideas are collected and escalated or put into action. In both cases people said that one of the fundamental sources of those ideas is the staff, so I guess I would like to know from your perspective whether the staff feel like they are involved in this and whether they feel like their ideas are being taken on board.

Mr Law: The answer to that is that it varies, and it varies for a number of reasons. It varies on the approach of senior management to that and you might argue that this new Lean initiative is an attempt by the Department to listen to staff but I think we are a bit sceptical and we need to be convinced at this quite early stage whether that is correct or not. The approach of your individual line manager is essential to that if they are someone who is receptive to new ideas or is, “No, this is what the book says and that is how you should do it”, so a number of factors can come into that. If you were to take an annual survey, which the Department does do, it does not ask that specific question but it does come up with figures like the vast majority of staff lack confidence in the senior managers in the Department and that is something that indicates to me that people do not feel that the people who have the power to say, “Yes, that is a good idea; let us go away and do it”, are that interested in what the staff feel and the suggestions they are coming up with, whatever they might say at hearings such as this.

Q283 John Penrose: Hence the reason for the question. Tom, do you want to add anything or would you agree with that?

Mr Penn: No, I think that is a fair assessment. I will say that there are individuals who do value or benefit from participation in it. I think the problem, as always, boils down to communication. If there are a few people who know something is going on it is good for them. If the rest of the world does not, they are thinking, “Why are they getting preferential treatment?”, and I include Jobcentre Plus in that as well.

Q284 John Penrose: I want to come back to an answer you gave in response to one of Greg’s questions. You were saying that you were concerned that some of the changes in the simplification ideas were not being driven through any desire to improve either customer or staff experience but just to get efficiency and cost savings. Presumably you are not in principle against the notion of saving taxpayers money if it is possible, so I presume that is not precisely what you mean. You mean you think there is some other knock-on negative effect which comes along with that. I was not quite sure that I understood what you meant by it. Could you elaborate a bit on that?

Mr Law: Yes. The saving of taxpayers’ money is good if there are savings to be made, but you have to look at the consequences of driving through the extremely rigorous amount of savings that are being asked of the Department at the moment, and there are knock-on consequences. From our point of view the main knock-on consequence is that large numbers of our members have lost their jobs, have either been on temporary contracts, have been laid off or have left through redundancy schemes and things like that. That is a consequence that we would see as negative. There is also the consequence on the people who are left behind because they are experiencing considerably more pressure and stress. A lot of them have had to relocate offices, a lot of them have had to retrain in new skills. I was interested that one of the comments that people from the Department made earlier was that there are some areas of the work where we rely on people who have that long history in the Department and specific skills, and that is being lost at the moment as a result of driving for efficiency either by forcing people into new jobs or by allowing them to leave anyway. That is really what we are saying, that there are negative consequences that do not serve the long term interests of the Department and our members.

Q285 John Penrose: This Committee did a report into some of the problems which came about a year and a half ago and was quite frank about some of the problems that had occurred. I guess what I want to follow up on is that now that that situation is, at least in theory, settling down somewhat and so some of the worst problems have been overcome what is your view on the impact upon customers as opposed to staff? Can customers now look forward to something which is of a decent quality because if they cannot then that is something we should also need to be very concerned about?

Mr Penn: I was going to add that as one of the consequences. In the very job we do the vast majority of our members believe in what they do and they take pride in what they do, and it is frustrating on their part when they are unable to help a customer. On a broader picture, the consequence of what is happening in DWP at the moment, and it is still ongoing with the announcement this week of further office closures, is that we are moving away and withdrawing from the community, the society which owns our job. That is a concern to our members in PCS, that we see smaller communities where the smaller offices are deemed to be less justifiable because of the size, the distance and the number. We will withdraw and possibly visit or give them the chance to go somewhere else. That is a loss to the community and I think they may get a good service, they may be able to ring up a contact centre,
they may be able to ring up a benefit delivery centre and check on a benefit. What they cannot do is walk into the office and speak to their adviser and say, “I have these problems. What can you do to help me? This is a barrier for me. Is there anything available?”.

On the phone, going back to what we were saying before, you can ring up and speak to a generalist. You cannot speak to an adviser because the advisers, given the front-line officers that are still there, are fully booked from nine o’clock in 40-minute interviews until they go home. It was in the report of the select committee last year that in September of last year the Jobcentre Plus were introducing a new role of support officer to allow the advisers to spend more time advising. What they are doing is fielding the telephone calls, so a customer in a rural village or town who would like some advice urgently literally has to ring up and say, “Is there somebody available? If not, can you ring me back?”, so you have lost that, the opportunity for them to walk in and somebody say, “I can see you in five minutes”. That is one of the most lamentable outcomes of this.

Chairman: Can I thank you both for your presentation today, robust, as always and to the point. It has been valuable and I am sure it will inform us in our deliberations. We are very grateful. Thank you very much.
Monday 18 June 2007

Members present:

Mr Terry Rooney, in the Chair

Witnesses: James Plaskitt MP, Parliamentary Under Secretary, and Brendan O’Gorman, Divisional Manager for Benefit Reform Division, Department for Work and Pensions, gave evidence.

Q286 Chairman: Good afternoon, Minister; it is good to see you. Welcome, everybody, to this our final evidence session on Benefit Simplification, although I am sure the debate will go on. If I can kick off, how does simplification fit into the DWP’s priorities; where is it?  

Mr Plaskitt: It is pretty central, which is why we set up the Benefit Simplification Unit, which Mr O’Gorman heads; it is why we now have an Annual Report from the Department, which includes statements of progress in terms of achieving benefit simplification; it is why the Unit reports quarterly to Ministers. It is why, on all the submissions which come to us, as Ministers, there is a statement saying whether the proposal contributes to simplification or not, and, if so, how. It is why any proposal which is coming towards us, as Ministers, first of all has to go through the Unit, which can act as a kind of policeman, if you like, and send back proposals which they do not think will be acceptable to us, as Ministers, who are trying to achieve simplification. There are pretty rigorous processes in place to support our drive towards simplifying the benefits system, and since the Unit was set up there is discernible progress also in terms of achieving measures of simplification, which probably we will have a chance to explore during the course of the session.

Q287 Chairman: Would it not be better if benefit simplification, welfare reform and better regulation were all under one Minister?  

Mr Plaskitt: No, because all of us in the Department, all of us, as Ministers, are trying to achieve simplification and, as responsibility for the various sections of the welfare system within the Department is divided between a number of Ministers, it is important that all Ministers are engaged in the process of achieving simplification in respect of the benefits for which we each have responsibility. It falls just to me to have the overall view, if you like, of simplification across the whole Department, but every single Minister in the Department is engaged in the process.

Q288 Chairman: Several witnesses have said to us that the Benefit Simplification Unit is a good concept but it has no teeth. Can you give us any concrete examples of things which have happened because of the BSU which would refute that?

Mr Plaskitt: Yes, I can. First of all, in terms of ‘no teeth’, let me just reiterate what I said about the process that we have now within the Department, whereby any submission which is on a journey towards a Minister has to go through the filter of the Benefit Simplification Unit, whose staff are perfectly adept at rejecting a submission at that stage and saying “That cannot go to a Minister.” I think they have sent back over 30, saying “That’s not going to contribute towards simplification; it can’t go any further down the process,” so I would reject the notion that it has no teeth. If you will bear with me, I can take you through some of the steps that we have taken, which have been as a result of the work of the Unit. You will know that we seconded Sue Royston, I think who has given evidence to your Committee.

Q289 Chairman: I am not looking for process, I am looking for outcome. Are there specific actions which have been taken because of the BSU which have simplified the system in some way?  

Mr Plaskitt: Yes. I will give you some outcomes. Thanks to the work which was initiated by the BSU undertaking a programme of rationalising all of the literature and leaflets which the Department issues, there were 245, we are down to 178, I think the target is to get it down to 100; we are trying to secure Plain English Campaign accreditation for every single one. Thanks to the assessment of the Department, we have the Best Practice Simplification Guide, which I have reissued just recently after a year in operation, which informs all officials throughout the Department as they are working on proposals. In October of last year we did an alignment across the benefits system in the way that charitable, voluntary and personal injury payments are made; that came out of the consideration by the Unit. The biggest achievement to date perhaps are the measures which were contained in the Budget 2007 statement, which contained a whole group of steps that we are going to take in the short term to achieve benefit simplification. We are also about to embark on a review of all the computer-generated letters which come out of Jobcentre Plus, which I think has been flagged up to your Committee in evidence, we are onto that, and that is about to get a thorough-going review. We are extending the Lean process which we have been piloting in a number of areas. One specific measure which is scheduled to come in later this year, in October, is ignoring the different forms of
compensation payment which individuals receive in their final pay packet. That was a specific proposal which came up from staff, I think, in fact, to the Simplification Unit, taken up by ourselves, as Ministers, and that will be put into effect in October. It will cut out the need for 1.7 million inquiries the Department has to make at the moment to employers, so it will save us time, it will save employers’ time, it will reduce the employer burden; it is a definite contribution towards simplification of the system. Next year we will be simplifying the treatment of income from sub-tenants, right across the benefits system, to a standard, flat-rate £20 disregard; that is an outcome again of thinking about the work which has come through the Unit. A very, very large change already pencilled in for 2009 and announced in the Pre-Budget is the move towards paying all working-age benefits two-weekly in arrears. You can see a whole series of measures, some taken, some in the process of being taken, some pencilled in for the near future, which is the outcome, the consequence, of having the Simplification Unit in the Department.

Q290 Chairman: I am interested that you said the proposal about final payments came from staff. When Leigh Lewis was before the PAC, he said that the BSU would not be an organisation which was buried away, it would be open and upfront. We met the BSU leaders last week who said they had no contact with the Unit whatsoever and they had no opportunity to input: how would you respond to that?

Mr Plaskitt: They do have the opportunity to input. Bear in mind that the Unit was set up in January 2006; obviously it takes a little while to disseminate knowledge of it right across the whole of the DWP, which is a very, very large organisation, but there is an intranet, which any member of staff in the Department can access. It takes about 2,000 hits a month from staff, which suggests that there is pretty wide awareness of it, and at certain points, I think when we issued the Simplification Guide, which got substantial publicity within the Department, the number of hits in that month rocketed, way up, I think knowledge of the existence of the Unit and the means by which staff can contact it and put information into it is spreading very widely across the Department. Certainly I promote it when I am visiting staff, I think all Ministers do, our internal publications within the Department, which all staff read, promote it, and the intranet promotes it, so it should be known about pretty widely, and certainly the evidence from the hit rates suggest it is known about quite widely.

Q291 Mark Pritchard: Whether private sector or public sector, clearly the most important capital in any organisation is its employees. I just wondered, and it may be already in existence, what incentives there are for staff, at even the most junior administrative level, to pass on ideas for benefit simplification, a bit like a ‘good ideas’ box in a factory, and they are actually rewarded for that; directly into the Unit, Minister, rather than through a line manager, who might perhaps, or perhaps might not, pass on an idea, or pass it on in their own name rather than that junior employee’s name?

Mr Plaskitt: I find quite an enthusiasm amongst the staff to put their suggestions to us and they do not need a particular incentive to do it. Actually, when we were constructing some of the core policies for simplification, thinking about setting up the Unit, I had some discussions with front-line staff in the Department to pick their brains about how we should set about doing this, and I found very considerable enthusiasm for doing it. When you look at the whole issue of complexity in the system, I think a priority for us is making sure that complexity does not act as a barrier to any claimant, but I am thinking also about complexity as seen by our staff who are trying to administer this system. Most of our staff also think about it in terms of the customer journey, they have that focus as well, and they say, “Well, we think it would help our customers to come to us, establish the correct claim, keep the correct claim in payment, if we did the following simplification.” They are interested in simplification not just to make their own lives and work easier, they too are thinking about the customer.

Q292 Mark Pritchard: I accept that, Minister, but given the focus on this important issue I should imagine that Mr O’Gorman will have quite readily available the number of staff ideas which have been forwarded to his Unit. I just wonder, with the Chairman’s permission, how many, for example, since the start of the Unit, have come forward from those keen, eager and willing staff?

Mr O’Gorman: You will appreciate that sometimes the same idea comes forward from a number of people, that the same area is touched on, but I would think that currently we are logging over 300 ideas areas which have potential for simplification. Many of those we will find difficult to process because they will cost money, for example, in simplifying, so that people receive more money than they get currently, so there are fewer categories of payment; that can be quite difficult to arrange so we have to prioritise. I am not too worried that not every member of staff in the huge organisations that we have knows about the Benefit Simplification Unit, because I am confident that all the agencies which operate on benefits know us very well, I am confident that we work very closely with them and also we get out and about and talk to staff in the field. If we organise a workshop for 40 people, drawn from various regions and Jobcentre Plus, perhaps some of those 40 people have friends who know about this, they are representative, they will give us the daily problems and ideas which they are encountering, and I am pretty confident that we are getting quite a good feel from the field of where the shoe is pinching.

Q293 Chairman: Does the Department intend to publish the Sue Royston report?

Mr Plaskitt: It is published.
Q294 Chairman: We think it is an internal document which has not been published; in fact, we had to request it because it was not published?

Mr Plaskitt: Okay, but you have got a copy of it?

Q295 Chairman: We have, but it is not a public document; that is what I am saying?

Mr Plaskitt: I see what you mean. I thought you were talking about your right to see it. You should have it, I think.

Q296 Chairman: We have seen it but it is not a public document?

Mr Plaskitt: No, because it is an internal document. We seconded Sue on to the Unit, giving her a completely free range to look right across the whole field and to think especially in terms of how it seems in respect of the customer journey, and that document informs us as to how we should proceed now in taking forward the whole programme of benefit simplification, so in that sense it is an internal document. I thought you were asking about your right to see it. I am perfectly happy for the Committee to see it and I am pleased you have got it.

Q297 Chairman: Is it likely that you will take up most of her recommendations, all of them, seven, or none?

Mr Plaskitt: I think, a pretty large number, actually, having read it. A very large proportion of those recommendations I think you will find we will be taking up; work is in progress on some, and already some are relatively short-term things I think we can do, some are much longer term. I think we very much welcomed the suggestions which she made and are likely to be going forward with a very large number of them.

Q298 Chairman: Is the Department in any way close to defining a measure of complexity?

Mr Plaskitt: No.

Q299 Chairman: That was a simple answer. That will do.

Mr Plaskitt: Perhaps I should explain. I think many people have tried valiantly to define complexity. I think the National Audit Office had a crack at it and concluded that they could not do it. It is very difficult. Often what I say is that you know complexity when you run into it, you recognise it when you hit it, but standing back and trying to do almost a sort of abstract definition of what complexity is, in itself is very, very complex and might not contribute anything to the process of achieving simplification.

Q300 John Penrose: I want to pick up on just a couple of your answers to us on the first set of questions. It sounds as though you see your role as assisting and collecting bottom-up ideas from the front line and putting them into place, so creating programmes like the Lean programme, which allows them to take place. The bit which I have not heard you talk about so far is a more fundamental question about who is in charge of changing the basic design of either benefits or IT systems in order to design out the complexity which is inherent in it, i.e. the vision thing, if I can put it that way. Who is in charge of the vision thing and prosecuting it, creating those ideas and leading the simplification process, as opposed to blocking or responding to it?

Mr Plaskitt: Ministers are.

Q301 John Penrose: Is that you specifically or is it all Ministers?

Mr Plaskitt: It is all Ministers, across the Department.

Q302 John Penrose: Whose ministerial statements do I look at for a vision of the current idea of what simplification will look like and where the simplification agenda is going?

Mr Plaskitt: Mine, in the sense of answering for the whole Department on the issue of how we are handling the question of simplification; but if you want to go into any individual benefit area, as I say, all of us are simplification Ministers, in that sense, and we are all committed to trying to achieve simplification across the benefits system.

Q303 John Penrose: Forgive me; you said that you have actually spent quite a lot of time, so far, blocking additional complexity ideas. You were quite proud of the fact earlier on; you said you had turned back at least 30 different ideas which would have made things more complicated. I am not sure where I am getting the sense of your fellow Ministers prosecuting the notion of simplicity and designing out complexity from the existing benefit structures?

Mr Plaskitt: As we have set out in the core document that we have in the Department, the Best Practice Simplification Guide, I think we try to set out very clearly what the objective is here, we are trying to iron out complexities in the system. You cannot sweep out all the complexity because some of the complexities in the benefits system are there actually for rather good reasons; it is because we are trying to design a benefits system which responds to a very complex society and to the very complex needs which people have. We are trying to be as fair as we can to people who are supported by the benefits system, and sometimes, to achieve greater fairness, you have to build greater complexity into the benefits system. It is a difficult equation. It is also clear that there are some complexities which are there for not particularly good reasons, or they have evolved over time as a result of lots of changes, each one made for a perfectly good reason but the end product is unnecessarily complicated, therefore you can take those out. If you like, the vision that you are asking is that all of us, as Ministers, can see, that you can make this benefits system, which we have got, easier to administer, easier for the customer to work through, easier for everyone to understand; in that
sense, we are simplifying it. Does that mean that it will have no longer any complexity in it, no, of course, it does not.

Q304 John Penrose: I appreciate that and also I appreciate that it is a difficult problem to grapple with, as you said. What I am trying to get at though is I cannot find anywhere, I do not think we have had presented to us either, any statement by any of your fellow Ministers in the Department about how far you think simplification can go, which bits of the design are essential and cannot be simplified out, which bits are fair game and to which you would expect to find solutions, and what the end point might be, what is the perfectly as simple as possible benefits system which you can envisage, or even some halfway point towards that. I cannot see any overall goal which has been enunciated by anybody in the Department yet?

Mr Plaskitt: I am not sure that we are going to reach the end of the journey because I think it is ongoing.

Q305 Chairman: Sketching out where you are heading would be of help?

Mr Plaskitt: I think we have done that.

Q306 Chairman: Could you point us to a statement which we can take in evidence?

Mr Plaskitt: I think you can take several ways of coming at that. Look at some of the big reforms which are coming through: Employment and Support Allowance merges existing benefits into a simpler system; the huge pensions reforms which are coming through simplify the way we are doing the state pension: the huge work we have done in transforming Jobcentre Plus and the way the service is delivered simplifies the way that we are doing it. Some examples I have given already. I think, if you are asking for a definition of what constitutes a simplified system, it is one where you have got a coherent family of benefits, where you have done as much as you can to iron out inconsistencies between the benefits, and where you make it easier, as easy as possible, for the customer, and in the end that is who we are serving here, to have dealings with us, as the DWP, and to get out of it the support to which they are entitled. That would be a test. If we are making the customer journey as easy as possible, that is a crucial test, and so when we introduce, in 2008, a very important internet-based service, which will give any customer access to far more information than they can establish quickly at the moment, that again will be another big step forward towards achieving simplification. You are never going to get to the end of the journey, because the system is evolving as our society and economy evolve.

“Across the whole scope of DWP, this is what a simpler system is going to look like.” I can see individual bits and I cannot see any overall view?

Mr Plaskitt: I think I have just tried to give you a view of what it is.

Q308 John Penrose: Is it not rather concerning that we are having to do it now; should not there have been some sort of an argument——-

Mr Plaskitt: I am not saying anything which has not been said before by Ministers in the Department and I think it has been said repeatedly. We said things like this when we issued the Welfare Reform Green Paper; two years ago now, I think, we said this. We will be following that up in our response to the Freud review shortly; we will be building on what we said in the Green Paper in that respect. We have said these things, I have said them, we publish them, and I think, if you look at all of them together, you can see a view of what we think constitutes achieving more simplification and less complexity in this benefits system.

John Penrose: I will go back and have a closer look. Thank you.

Q309 Mark Pritchard: Just following on from Mr Penrose’s comments, trying to be helpful to the Minister, I wondered, on the point of simplification, given that we have now, I think three or four disability benefits, we have, I think, three different forms of Incapacity Benefit, using that as an example, how do you think that will progress to a point of simplification, given that it seems to have become more complex?

Mr Plaskitt: As I say, I think the Employment and Support Allowance, when that comes in, in itself marks quite a significant step towards simplification in respect of disability and income benefits. I think the Department is going to be saying more about this as we respond to Freud; obviously I cannot anticipate that response, but it is not far off.

Q310 Mark Pritchard: What about information duplication, given that many people have multiple benefits, and even within the same agency the same information is asked for once, twice, three and sometimes four times? Surely not only would that help simplification but also it would allow DWP to meet its efficiency targets, given that less staff time and manual inputting of information would be needed to duplicate the information?

Mr Plaskitt: Yes, you are absolutely right; that is part of the customer journey approach towards overcoming complexity. There are fewer and fewer justifications, these days, for the Department asking for the same information from people on repeat occasions.

Q307 John Penrose: I am not asking when we are going to get to the end of the journey. I am just not quite sure that anybody is clear about where we are headed. I can see it on some individual benefits, where the Department has been setting out a view on pensions reform, because that is embodied in a Bill, but I cannot see anybody standing back and saying, “We do, and what I am saying is that there is less and less justification for that these days. As we evolve with the IT, as we get more adept at data-sharing, as we complete the roll-out of the reform of Jobcentre Plus and as we introduce those internet services I am talking about, we will get
towards a state where there will be far fewer occasions when we ask for repeat information. That is an objective. It should be the case, ultimately, that customers can give us the essential information which the system needs, give it to us once and then we will have what we need.

**Q312 Mark Pritchard:** On a timetable, following on again from Mr Penrose's point, what sort of timetable aspiration would you have for a single entry for data, Minister?

**Mr Plaskitt:** I have set out already some of the steps we have achieved here. We are still giving consideration to some of the things which need to be done to achieve that objective. Sue Royston's report also had some things to say about that, as have others, and we are still thinking about that. To some extent, the timetable is driven by the progress in transforming some of the IT platforms in the Department. I am not going to attach this to an arbitrary timetable but just establish the fact that a clear state we would like to get to is where we do not make repeat demands on customers to get this information we have got already.

**Q313 Mark Pritchard:** Thank you. You will be relieved to know, Minister, that we are moving on now to incentives and disincentives to work and links with Her Majesty's Revenue and Customs. I do not know, I may be wrong, but I always think these evidence sessions are helped by real-life stories. Let me tell you a story. Recently I was visited by somebody in my constituency who gave me information relating to two constituents who had been on, call it, Disability Living Allowance since the early nineties; one with stress, one with a bad back. They are on Carer's Allowance, both of them, they have six children: all of the six children are on Disability Living Allowance, of some form or another, one with asthma, one with attention deficit syndrome, and other variables. In total, adding up all the benefits, that family receives £77,000 worth of benefits, net. In my humble view, that is unsustainable; it may be a genuine case, I have not found the incidents of people being taken through that calculation going up quite considerably; in the case of lone parents making a new claim, for example, now 34% are taken through the demonstration. Clearly it is a tool and it is a very important tool and it is being applied more frequently where it is appropriate to do something.

**Q314 Mark Pritchard:** Does the Jobcentre Plus ‘better off’ calculation being only 20% nationally pay some credit to London? I notice they are 40%, double the national average, on calculations; do you think that has played a part: one? Two: why is it so low nationally and is it tied in with recent reconfiguration (euphemism) job cuts in DWP, particularly Jobcentre Plus?

**Mr Plaskitt:** No. The ‘better off’ calculation does not always have to be done for every single claimant; it should be done where it is appropriate, and where it is an effective device and it is going to assist someone of course we want to see it done. The 20% figure, which you have heard, we have suggested would represent an average where it was being applied in all appropriate cases. Indeed, in cases where we do think it is particularly helpful we have found the incidents of people being taken through that calculation going up quite considerably; in the case of lone parents making a new claim, for example, now 34% are taken through the demonstration. Clearly it is a tool and it is a very important tool and it is being applied more frequently where it is appropriate to do something.

**Q315 Mark Pritchard:** Thank you. Given that getting people back into work is a Government priority, may I ask why the Pathways to Work programme is taking so long to roll out nationally, or certainly in England and Wales? As a Midlands MP, you will know that there has been some delay in rolling out Pathways to Work in some parts of the West Midlands, and I just wonder why the delay and can we bring it forward?

**Mr Plaskitt:** I think it is a realistic timetable and it is quite a significant reform. There is a programme for rolling it out. I think we are going as quickly as we can, realistically. Brendan, do you want to add anything on that?

**Mr O'Gorman:** It is connected, of course, with the legislation Bill and the entire exercise is the biggest programme outside the pensions role facing the Department; the complete implementation of the new benefit rules as well is scheduled to be later in 2008, so it is a really big programme, it is a very serious job for any department to get under its belt.

**Q316 Jenny Willott:** Can I ask just a final question around the disincentives to work and the links there. We received a report by Off the Streets and Into Work which showed that there are actually groups of people who are not better off by getting into work, particularly those who are working for 15 or 25 hours a week and those who are below the age of 21, so they get the development rate, or whatever it is called, the Minimum Wage. Has there been any
work done by the DWP, or what are you planning to do, to look into this area, the people who are actually caught up, whether they are better off on benefits?

Mr Plaskitt: Yes, there is work done on that, because, of course, we are anxious to ensure that the move into work pays. It informs a lot of the work that the Department has done already and continues to do. There is ongoing work on that subject.

Q317 Jenny Willott: What is likely to come out of that ongoing work?

Mr Plaskitt: I think I would ask you to await the Department’s response to Freud, where we will have more to say about that.

Q318 Jenny Willott: Is there likely to be something relating specifically to those groups of people in that?

Mr Plaskitt: I do not want to anticipate what is going to be in it, I am afraid, but I think you will find that issue is included in the response.

Q319 Jenny Willott: Then we can call you back and ask you further questions, if it is not, presumably?

Mr Plaskitt: You can.

Q320 Jenny Willott: Can I ask a group of questions around benefit rules and the complexity associated with them. We have got a lot of evidence from witnesses around the difficulty in balancing a simple system with a system which is not one size fits all and takes into account the complexity of the individuals’ lives and different circumstances. As the Minister responsible for this, how responsive do you see that the benefits system should be to different elements of people’s lives, and how does that balance out with the need for simplicity?

Mr Plaskitt: There is a tension between the two, obviously, and there is a steady stream of demands and requests coming to us, as Ministers, and to all of my colleagues, to add yet more complexity to the system; of course there is. A lot of it comes from colleagues in Parliament, of course. There is a tension between the two and I think we have always been completely open about that. If you wanted to be really extreme about this and have a really radical shift towards simplicity, you would simply iron out complexity, and you make it a very, very blunt system indeed. Many people would look at the consequences of that and say, “It’s grotesquely unfair,” and probably it would be. What you want is a system which plays fair by people, reflects the very different and very complex circumstances which people present when they engage with the benefits system, responds to specific needs in a way that we would like to see, and all of that is pushing you towards more and more complexity. On the other hand, what we are trying to do, as I said in answer to earlier questions, is recognise that some complexities are going to be there but try to make sure they do not trip up anyone whom the system is trying to help. If anyone has got to wrestle with complexity in the system it should be our staff, not a customer. There is also then a category of complexity that we want to take out because it has become redundant or irrelevant or should not be there. It is a constant tension between the two, but I think we have shifted the emphasis, ever since the Unit was set up, firstly to try to ensure that we are not unnecessarily adding further to complexities in the system, and that we are actively trying to iron out complexities which are there for no justifiable reason, and, where it is going to be complex, making it as easy as possible to administer and ensuring that complexity is not a nuisance to customers claiming what is their entitlement.

Q321 Jenny Willott: Means-testing, the contributory principle and paying benefits to households rather than individuals, all contribute to complexity within the system. Is the Department looking at what could be done either to do away completely with these principles or to mitigate the effects of them and the complexity?

Mr Plaskitt: No. I think we accept that there are going to be different bases for different benefits; some are going to be universal, some are going to be contributory-based, some household-based, and they are there for good reasons.

Q322 Jenny Willott: What are the reasons?

Mr Plaskitt: You would have to take it benefit by benefit to argue that. Clearly there are some which are income-related because they are targeted. I think there are always going to be different bases or foundation principles for particular benefits, and those which help people who need a boost to family income are going to differ from those which support people who are trying to deal with the consequences of disability. There are different types of situations people will be in. Those which relate to age are going to differ perhaps from those of old age and benefits relating to working age; they are always going to differ. We should not say necessarily that there has got to be only one, as it were, philosophical base for any benefit, because I think you would end up with a system which was not offering the kind of support which we would want to see the system do. I think my message is that I would not want to argue that complexity in and of itself is always going to be a problem; complexity sometimes can be there for perfectly good, justifiable reasons, because we are trying to achieve an outcome which I think we would all sign up to. We have got to make sure it is manageable and that there is not any there which is unnecessary or unjustified.

Q323 Jenny Willott: Can I ask specifically about the contributory principle, as one of the elements which add to complexity. What are the arguments for retaining it; why do we need that as a basis of working-age benefits?

Mr Plaskitt: One of the established reasons why we have a contributory principle to the benefits system is it is part of a contract. I think, implicit, it is not, between the citizen and the state; the record of contribution leads to an entitlement. I think it is part
of the principle of some parts of the welfare system and I do not think there is a plan to move away from that.

Q324 Jenny Willott: Even if it takes out quite a significant area of complexity?
Mr Plaskitt: It might take that out but it will introduce massive elements of unfairness.

Q325 Jenny Willott: Looking at means-testing specifically, the Social Security Advisory Committee suggested, in their most recent Annual Report, that there could be scope for reducing levels of means-testing without making the system inequitable. Has the Department done any work on looking at how that could be taken forward?
Mr Plaskitt: We are always looking at the extent of means-testing, whether things can be done to mitigate it; and, as you will know, from the reforms we have announced to the State Pension system, those are very much targeted at addressing an issue of means-testing in the system. If you are going to have benefits which are targeted, as opposed to universal, there is going to be an element of means-testing; that follows. What is important for us is to make sure that it is done as fairly as possible and, again, it does not have undue or unnecessary complexity within it; but, as a principle, I think it is going to remain a part of a benefits system in a working welfare state like ours.

Q326 Jenny Willott: Yes, but has the Department looked at it? I was asking specifically about the Social Security Advisory Committee (SSAC) and what they raised. I am not suggesting, and they did not suggest, that means-testing should be abolished totally, as part of the benefits system, but they did say that there were areas where it could be reduced. Has the Department looked into that particularly, as a result of that?
Mr Plaskitt: Yes. SSAC make a very useful contribution towards this whole process of benefit simplification; they work very closely with the Unit and with Ministers. Of course, we will always consider carefully recommendations that they are making to us.

Q327 Jenny Willott: Is there going to be a response on those particular points, or any further information coming out from the Department around this area?
Mr Plaskitt: As I think I am saying to you, there is a continuous dialogue going on with the Department and between the Department and SSAC and others about all of these issues.

Q328 Jenny Willott: It is not only the dialogue I am interested in, it is the outcomes, is what I am trying to get at?
Mr Plaskitt: You can see the outcomes as we bring forward the reforms, benefit by benefit, across the system, and you can see the results there.

Q329 Jenny Willott: Is there scope for the benefits system to reduce the frequency of some of the administrative functions? For example, longer time periods for entitlement, so that people do not have to go through the checks so frequently, reducing your requirements to report changes of circumstances, and things like that, to take a chunk of the admin out of it?
Mr Plaskitt: There is scope for that. I think that is right. I think we can, and will, see reforms to the lengths of time for which benefits are granted. We are trying to take steps to reduce unnecessary reporting of changes of circumstances and, as I say, we are trying to take steps to ensure that once we have got information from customers we can spread it across different parts of the Department which need to have that information to avoid the necessity for repeat contact with us. On the other hand, and these always have a balance within them, it is important that where customers need to report a change of circumstances to us they do so, otherwise you are going to see another objective of the Department not making progress, namely reducing error in the payments system. I have got to have due regard to that, because all the time I have to have due regard to the taxpayer and ensure that we are spending the money accurately and correctly. There is a tension between those two, but I have got to get the balance right, as far as I can, between those.

Q330 Jenny Willott: We went to look at the United States, at some of the progress which they have been making, they have got various initiatives around, trying to simplify their system, and one of the examples which they brought up related specifically to that, which was around reducing the need to provide various pieces of documentation each time you have to reapply or have your benefit reassessed, or whatever, by in some place storing it electronically. Has the Department looked into that?
Mr Plaskitt: Yes. As I say, we do not want customers to have to report unnecessarily, we do not want customers to have to report repeatedly when we have already got the information; that is not offering a good quality of service. I think, once we have got the internet system ready for roll-out in 2008, the quality of information and support and advice that we are going to be able to give to customers about their own individual claims and the entitlements and the record attached to it will move forward considerably from where it is now. All the time, again, deploying the facilities which technology gives us, we can improve the service to the customer, and I am sure we are doing some things which mirror parts of the US reform, although, I have to say, from what I know of the US system, many parts of it are vastly more complex than ours.

Q331 Jenny Willott: I do not think we would disagree on that. I think someone is going to ask you some more questions about IT in a minute, but one of the key policies which they have in the States, which it simplifies in some ways, is that they have time-limited benefits in part of their system, so you
have a lifetime allowance and once you have reached the end of your lifetime allowance it is cut off. Have the Government examined the feasibility of doing something like that in the UK and do you think such a system could be introduced, or indeed should be introduced, in the UK?

Mr Plaskitt: No.

Q332 Jenny Willott: Have you looked at it at all?

Mr Plaskitt: Obviously we have looked at it, but the answer is no.

Jenny Willott: I am very relieved to hear that. Thank you.

Q333 Chairman: Just on the administrative intervention side, you pointed out that, is it, next April we move to all benefits to be paid fortnightly in arrears; is there any reason why that should not be monthly, or four-weekly?

Mr Plaskitt: I think there are reasons why it should not be that: cash flow for benefit recipients I think would be a problem, gaps where money might not be available to the household. I think monthly in arrears might be a bit of a stretch, frankly, and would not contribute to the kind of assistance we are wanting to offer; fortnightly, however, I think is very reasonable, we can achieve greater consistency across the system on that. I think it fits with people’s daily experiences anyway, much more than monthly would.

Q334 Chairman: You see it really as a budgeting issue for claimants?

Mr Plaskitt: I think there would be a budgeting issue for claimants if payments were monthly in arrears.

Q335 Chairman: I know they are slightly different benefits but DLA is paid monthly, so is Mobility?

Mr Plaskitt: If we tried to apply it across the whole of the benefits system, I think, in respect of those which support low income, it could create problems.

Q336 Harry Cohen: I want to pick up on the IT issues and, firstly, Jenny’s penultimate question about electronic records against paper records. When we went to Newham Jobcentre, they told us it had both and there was duplication in the system, I think monthly in arrears might be a bit of a stretch, frankly, and would not contribute to the kind of assistance we are wanting to offer; fortnightly, however, I think is very reasonable, we can achieve greater consistency across the system on that. I think it fits with people’s daily experiences anyway, much more than monthly would.

Mr O’Gorman: We are actually working towards the creation of an electronic document storage system; we are starting with that as part of the Pension Transformation Programme in the Pension Service. We hope to have the basis for such an arrangement detailed and ready to go out to tender and spec at the beginning of next year. Once we have got that right and we have the detail as we want it, that particular arrangement will be available for the other agencies of the Department to implement as they make changes in their processes.

Q337 Harry Cohen: That is an advance, but clearly it has got to move on from there, but that is useful to know. When we were in the United States and doing the grand tour here, from Newham to the United States, we met Claudia Page, who is the Director of this system support group, One-e-App, and they have got this web-based system where a number of health and social services benefits can be linked up onto one application form, they have got one application process, they get the client to fill in that one form and that is linked in to all the Government’s systems. Clearly, what is needed is sort of an alignment of the rules, and perhaps your questions as well, if that process is to work effectively. Is your Department working along similar lines, are you looking to rationalise the application process so that they can be linked?

Mr Plaskitt: Yes; quite a lot is happening in that respect already. Crucial, firstly, is successful data-sharing between different bits of our own Department, because, as I say, we want to get to a state where we are not asking customers to give information to us repeatedly; if it is within the system that should be sufficient for us. That is crucial. As much harmonisation of the rules, or consistency in the rules, between different benefits is, of course, also very important. As I said, ‘my DWP’ project, which I think will start in 2008, will give customers an online individual account; so I think it will amount to a substantial step forward in terms of the quality of the support we can give any individual customer. It should make the process quicker, it should cut out repeat requests for information and should tie up different entitlements if they cross more than one benefit or a group of benefits. I do not know if it is exactly the same system as you saw in the United States because I have not seen that demonstrated, but it sounds as though it has certain similarities.

Q338 Harry Cohen: Some similarities though, and I will come on to this online account for the client, but I think the key feature is that the application form, or forms, is on the web, perhaps accessible for the equivalent in the country, like CAB, to help a client fill it in, and then gets transferred to the Government, JSA, or whatever it is, it may even be passported between Government. Are you working towards that, as an approach?

Mr Plaskitt: Yes; that is a perfectly sensible principle. I think quite a lot of our forms are available by downloading from websites already, as I understand it, that is already the case and the
technology is going to take us in that direction. I think, yes, is the succinct answer to your question on that.

Q339 Harry Cohen: That is helpful. Can you tell us about the pilot which was done by the Pension Service Solution Centre in Glasgow, which tested the automated payment of Council Tax Benefit? Clearly, this is the point about you apply for something, or you get on the system and you get out another automatic payment, without you having to be in any way proactive, as the claimant, that is; has that been successful, trying to roll out this automatic benefit approach more widely?

Mr Plaskitt: It has been very successful and it is a good example of where by using data which is already in the Department we can offer a better service to our customers. For example, knowing what we do know about pensioners who have an entitlement to Pension Credit, we can scan that data and, in all likelihood, a pensioner in receipt of Pension Credit, certainly the guaranteed element, will have an entitlement to Council Tax Benefit; we can see whether they have taken up that entitlement or not. If not then we can do a direct contact with that customer, to say, “According to information we have, we reckon you have an entitlement to CTB; we don’t see one in payment and can we help you to secure that?” I think it has been very successful. We did a very substantial scan. I think 170,000-odd we have written to directly. We have backed that up also by making the claim form far simpler. There used to be a 26-page claim form for Council Tax Benefit, but it asked for the same information that we have already inside the system to award Pension Credit, so we were able to scrap the big form completely, strip it down to a very, very simple, three-page form, so we have got the basic information already. “Just give us some very, very, very basic information and we can get your Council Tax Benefit payment up and running once we have approved that documentation.” It is using the IT. We have started doing that. We will do repeat scans of the system on new claimants; where that information comes up we can flag it up. “This looks like it should be receiving CTB.” The only issue I would add, in relation to Council Tax Benefit, getting it into payment, is, of course, that also it involves local authorities handling it. We can do alot of stuff at the centre. Then the next stage in data-sharing becomes critical, i.e. between us and local authorities, Housing Benefit operations, and that is working very well, the data-sharing there, and I think you will see it leading to an increase in take-up of that benefit.

Q340 Harry Cohen: That is very good; but I just put it to you, because Help the Aged gave us evidence and they said they believe that this work is not being driven forward fast enough and with high-level backing; that was their quote. Are you prepared to give that high-level backing directly?

Mr Plaskitt: I do not know how high they want to go, but it has got my backing, certainly it has, and, as I said, we have put a lot of effort into that process; the outreach telephone call and the simplified claim form, I think it has helped hundreds of thousands of additional pensioners take up that benefit to which they are entitled. Indeed, I sat in on some of the calling-up processes to hear how it was going and there are some very, very grateful customers that, I can tell you.

Q341 Harry Cohen: Sue Rostyson, to whom you referred, talked about a claimant’s entitlement record, in fact, a digitalised entitlement record, which could be shared between DWP agencies and across government departments and given to the claimants as well, so that they know what they are getting, basically. Is this an idea which is being pushed forward?

Mr Plaskitt: I think that has got real potential. Obviously, it is subject, again, to having the right IT platforms in place to support it, all the necessary safeguards, the protection of the data, all those things you would expect; but, given that, I think it is an idea with quite a bit of potential.

Q342 Harry Cohen: Good. Let me ask you just one more question, while I have got you on IT that is a more practical one in Jobcentre Plus offices at the moment. At the moment they run two systems, the Customer Management System and the Labour Market System, one for the claimant and one for the employer, but they are incompatible and often the same information is keyed in for one or the other system, but it is the same information. Now I am told, the new Employment and Support Allowance, which is being prepared currently, will be incompatible with both of the other two systems, and yet, clearly, they are all linked really. Is this an area that you will be prepared to go and have a look at?

Mr Plaskitt: Of course, I would be concerned if there was incompatibility which was going to prevent us achieving the other objectives we have been talking about, certainly in terms of customer journey. There may be different systems, and that in itself is not necessarily a problem, but they must be able to communicate fully with each other and share the data; but I think it is one about which I will ask Mr O’Gorman to add operational comments.

Mr O’Gorman: My understanding is that ESA will use a system for gathering information from the customer which is used already in the Pension Service. It is a rather better system than CMS, it is more intelligent, it helps our operative to know what we know already about the customer from system records which we possess already, and ultimately we would be using that along with the other benefits administered by Jobcentre Plus. It will take time to introduce, and perhaps what the Committee was hearing was that there will be a period of incompatibility, but ultimately we are looking towards an improved system of gathering information from the customer which will be compatible across the piece.

Q343 Harry Cohen: So CMS will be adjusted over time, as well, to fit in with this?
Mr O’Gorman: CMS will be replaced, as I understand it.
Chairman: Do not do that to us.
Harry Cohen: Thank you for that information.

Q344 Michael Jabez Foster: Can I follow on and ask a question, following on what Harry asked you, about the One-e-App application, one application form covers everything. It seemed, James, you were suggesting that you are moving in the direction of using information to write to people, to do other things, but does not that add to complexity? Should it not be possible to have a system whereby the application is the application for everything, not simply the invitation to apply for something else?
Mr Plaskitt: How big is the difference between the two things: I think the important thing, in terms of the service we are offering our customers, is to ensure that they receive that to which they are entitled; in the end, that is the key test. If it is the case that a customer has their first point of contact with us in relation to some issue and gives us the vital information which relates to that, if then that filters across the whole system, that should be enough to trigger actions which we would need to take, to say, “Well, actually, you have an additional entitlement as well.” That would achieve, in a sense, would it not, the same outcome, because we are going to have a system where there are different benefits in place, for reasons which we rehearsed earlier, it is not going to be just one, single benefit, there are going to be different ones; they need to interrelate successfully. As I say, the key, in terms of us providing the level of support to customers that they would expect, to me, rests in getting all the information from them, getting it once and then us making the responses which are necessary, then them receiving the help they are entitled to; that is the objective.

Q345 Michael Jabez Foster: Indeed, it is automatic after it comes back. I rather assumed what you were saying was that you would use that information to invite people to apply for another benefit, which would simply spawn a whole series of additional applications; but perhaps I misunderstood that?
Mr Plaskitt: No, because, obviously, we have to know something about a person’s circumstances, to give us a reason to suppose that they might be entitled to additional forms of help. We cannot start from a zero knowledge base about someone’s circumstances.

Q346 Michael Jabez Foster: One other small detail. When the applications go in, where are you up to on accepting electronic signatures, as opposed to written signatures, because that was an area which I know was of concern, simply storing information, and so on, that you needed written signatures so that you could prosecute if they had got it wrong, or something? Are you moving down that line, to accept electronic signatures?
Mr Plaskitt: As I said before, I think ultimately it will be part of it. I do not think we do at the moment, do we?

Q347 Chairman: They do, on Pension Credit.
Mr O’Gorman: We are actually looking also at a voice record, because increasingly our claims are taken over the telephone and the possibility is being considered of whether we can take a telephone record with a call-to-call, whether that is insufficient proof that a person has claimed a benefit; that might need a piece of writing, if we have a write record.
Mr Plaskitt: As technology moves on, it presents us with more and more opportunities to offer a slicker service to our customers, and obviously we look at any opportunity which comes that way, with the one key safeguard, which I have to keep coming back to, that there must be mechanisms in the system which help us bear down on fraudulent claiming or errors in the system. We have always got to have that balance in mind. Whatever the system, it must add to the security of the system as well as the quality of service to our customers.

Q348 Greg Mulholland: I have a few questions to ask you about error and fraud, particularly error. The Department has accepted that increased levels of error are a consequence of a complex benefits system; do you think that the Department is really getting to grips with the errors which are the result of a complex benefits system?
Mr Plaskitt: Yes, I would say that we are. Fairly recently, I published an error strategy document, which is the result of a considerable body of work that we have done inside the Department and which I have led, as the Minister with responsibility in this area, designed to help us make even more progress in reducing error over the next five years. Our clear target is to get about £1 billion worth of further error savings over that period, so it is quite an ambitious programme.

Q349 Greg Mulholland: You say even more effort to reduce error, but, in actual fact, the Department’s own figures, certainly up to 2005, which are the last figures that we have had, certainly fraud, over the last ten years, has come down very noticeably, but actually error, and that is official errors and customer errors, frankly are bumping along at about the same level. Are you saying the new strategy is going to come in and sweep that away? First of all, do you accept that, frankly, the level of error has not changed substantially over the last few years?
Mr Plaskitt: I do accept that, and that is precisely why I wanted to have a strategy to help us improve the performance on that. The key issue is to ensure that the losses down to fraud and error are falling, and they have been falling very, very steadily now over the last ten years.

Q350 Greg Mulholland: But because of the fraud figure?
Mr Plaskitt: I was just going to say, the main contribution to that has been the quite remarkable progress we have made in reducing fraud over that period, which in income-related benefits has fallen by two-thirds. We have taken about £3 billion worth of fraud out of the system, but we have not made the same rate of progress in reducing error, either
customer error or official error, and I want to. That is why we did this considerable body of work to come up with a counter-error strategy, which is now beginning to come into place. The figures which are published on error of course have quite a lag in them, so the recent ones have not shown particularly significant progress, although the last issue of figures did show a further £100 million fall. I think, in the error estimates, which was encouraging. I am hoping that, once the error strategy which we have designed, which is now coming into place, has had a period of time to run and begins to be reflecting the figures, published figures, we will see further progress in reducing losses to error, in addition to further progress in reducing losses to fraud.

Q351 Greg Mulholland: It is very encouraging to hear of the new strategy and I am sure we will look forward to speaking to you again in the future once that is fully in operation. However, we have had evidence during this report which has suggested, whilst the Department is doing that, at the same time, as a result of the Department’s efficiency savings, actually that is making the situation with error worse. With things like not having enough staff, not having the right kind of staff, with loss of knowledge, actually, unfortunately, the picture on the ground is going the other way. How do you respond to that?

Mr Plaskitt: I do not accept that, because, as I say, I think the latest published figures, which came out a few months ago, from memory, I know have shown a reduction in error over the last year.

Q352 Greg Mulholland: That is official error as well?

Mr Plaskitt: It was both customer and official error, so I do not accept that the situation has been worsening in the most recent period of time while we have been engaged on this efficiency savings programme. I would not accept the premise of what has been put to you and I do not think the evidence bears it out either.

Q353 Greg Mulholland: I suppose allied to that, the centralisation of processing within Jobcentre Plus has been, of course, part of the strategy to simplify benefits delivery. Certainly we have had evidence, and this is personal evidence from claimants, not only from organisations, who have told us in no uncertain terms of the delays they have had, of people being unable to track their claims. Clearly, there are Still real operational issues there which are causing suffering for those who are most in need of the money which is there; how do you respond to that?

Mr Plaskitt: Those are the issues of processing times and I accept perfectly that in some instances we are still not getting processing of benefit claims through as quickly as we would like, but the overall performance, and we watch these indicators very closely, in terms of Jobcentre Plus and the time being taken to process benefit claims, is an encouraging one, because the average is coming down right across the income-related benefits and they are getting the processing done more quickly. That does not mean there are not individual instances where it is not working. And, of course, while that is the case we have got to keep up the effort, but the overall performance is going in exactly the right direction, the processing times are getting quicker.

Q354 Greg Mulholland: One of the quotations we had from the PCS was that the new Jobcentre Plus structure was actually creating barriers to effective communication with claimants, which is obviously something which, if it were true, would be of great concern. How do you respond to that?

Mr Plaskitt: If it were true; but, as I say, the evidence, and the clear evidence, from the performance data firstly on the timing to process claimants is positive and the average claiming times are coming down. Another way of looking at this is both customer and official error, and, as I said, the latest figures on those are also moving in the right direction; so I think the evidence actually is promising, rather than the opposite.

Q355 Greg Mulholland: You have mentioned the times of the process; do you not think that potentially there is a fundamental flaw by the overemphasis on monitoring the processes, such as the length of calls, etc., rather than the actual outcome at the end of the process?

Mr Plaskitt: I am trying to ensure that we offer the best quality of service to our customers, and that has several dimensions to it. We have been talking about some, earlier on. I want to make sure that giving us the information is made as easy as possible and that we handle it correctly. I want to make sure that we get the benefits in payment as quickly as possible. I want to make sure the benefits in payment are correct and stay correct. Obviously, I want to make sure we make the process of customers reporting a change in circumstance to us as straightforward as possible, so that keeps the benefit correct. There are all those dimensions to the service that we offer our customers and I think we are making progress on all of them.

Q356 Chairman: James, can I just pick you up on those Benefit Delivery Centres, because when we went to Stratford we met a large group of claimants that had been selected by Jobcentre Plus, so you would have thought they would have been A1 claimants, and every single one of them had had problems contacting the Benefit Delivery Centre. They were then going back into the Jobcentre Plus office, which is not the intention, and Jobcentre Plus staff could not get through to the Benefit Delivery Centre either. I hope that is an isolated occurrence, but Stratford is a major office, doing a big part of east London, they have got a lot of claimants, and if they cannot do it, it is probably not alone. I do not expect you to answer now but I hope you will take that away and see just what is happening there; is there something in the system which is not working?

Mr Plaskitt: I am aware of what you found and were told at Stratford and we have had a look at that, and perhaps Mr O’Gorman would like to comment, because we were concerned at what you found there.
Mr O’Gorman: I think part of the problem there is that we have not fully rolled out the Benefit Delivery Centres nationally, we are still in the process of doing that, and Stratford will be serviced by the Hackney Benefit Delivery Centre, and that is gradually being implemented and will be fully operational from July, but I believe there have been some teething problems in phasing that in. That is an aspect of the problem. I think, that you were discovering. I think, in general, on the way in which claims are taken and processed, Jobcentre Plus is aware that we need to do better in terms of allowing people to get in touch with the folk who are actually taking decisions on their benefit, and that is an aspect which is being looked at and will be improved.

Q357 Natascha Engel: One of the really big issues was that, especially in a place like Stratford, you have got really very vulnerable groups of people and certainly I did not feel confident that there were arrangements in place to ensure that the transition process was being smoothed over, so that there was not really the ability to do anything face to face because the system has now moved out of the Jobcentre Plus office and into call centres and into the centralised, far-removed centres. It was really alarming, actually, to see such a vast Jobcentre, and obviously the staff are trying very hard but they did not have the ability to deal with that very, very rocky transition. We are just wondering whether there is a way of just saying, right, okay, you can get people to do face-to-face claims like they used to be able to do, just in that transitional process, because the transition has been going on for quite a long time now as well?

Mr O’Gorman: As I say, in Stratford, it should be completed from July. On the whole, I think our customers prefer the ability to give us their information over the ‘phone.

Q358 Natascha Engel: We are not disputing that; it is just that they cannot do that, and therefore they should have the option to do it face to face until they are able to do it over the ‘phone?

Mr O’Gorman: Indeed, Jobcentre Plus is looking at that, for example, it is testing at the moment arrangements in the North West of the country and in Wales, around helping people who are having trouble applying to the Social Fund for help, if they are having trouble over the ‘phone, what arrangements can be made to help them if they come into the Jobcentre instead. We recognise that there are still some kinks in the system which need ironing out.

Mr Plaskitt: And specific arrangements that we will have to make for particularly vulnerable customers, and of course we want to support them particularly in our work there.

Q359 Mrs Humble: Throughout most of your answers, James, you have quite rightly gone back to the claimant experience and I just want to ask you some questions about that and pull together some of the threads of answers that you have given to other people on that. Going back to John Penrose’s vision thing, one of the visions, which has been presented to us, is of a one-stop shop. Do you think that is practical, or do you think that, instead of a physical one-stop shop, there could be a one-stop person, a primary contact, the key worker, such as has been developed in the Employment Service, through New Deal and Personal Advisers, then to be that single point of contact? Again, following on from questions about our visit to Stratford, there was so much frustration amongst the claimants there about their inability to find out what was going on, waiting weeks—weeks—for their entitlement to be determined. One of the reasons why they would come back to the Jobcentre was that they had actually met somebody in the Jobcentre; they were put on hold when they telephoned the Benefit Delivery place, but they actually had a face at the Jobcentre whom they talked to, and they were desperately seeking that face, somewhere, to advise them. Is there a one-stop shop which could be delivered, or a one-stop person, a Personal Adviser, who could actually help the claimant to get through the complexity of the system?

Mr Plaskitt: I think what I would say to you is a one-stop principle rather than a one-stop shop, and let me explain what I mean by that. Different customers will want to deal with this in different ways and what I want to ensure is that, whatever approach any particular customer wants to take to us, we are facilitating it and supporting it. For example, for a customer who simply wants to deal with all of this over the internet or the telephone, as many will, we need to make sure that is going to be a smooth and efficient process and, if you like, based on the one-stop principle. I.e. they can come in once, deal with the information, perhaps ultimately, once my DWP is up and running, track their own case histories, see how their application is being processed, when it is going to be paid, all the information they want, they might want to do it that way. That is what I mean by a one-stop principle, it is one portal, one point of entry to the system, where all the information sits. Someone else might want to do it by telephone; we want to make sure, therefore, that they can get through quickly, that the person handling that call can have quickly in front of them all the information relevant to that person’s claim, or claims, or other benefits. Someone else might want to do it, might need to do it, on a face-to-face basis, as we have just been discussing, in which case we want to make sure that opportunity is there if it is appropriate to that customer, and again that all the advice is pulled together. I think it is important that we do not dictate to our customers how they are going to deal with us; customers can drive that in accordance with their own expectations and circumstances, so long as, whatever route they choose, our response is cohesive, which is what I mean by the one-stop principle.

Q360 Mrs Humble: I fully accept that many benefits claimants actually do not encounter complexity because their personal circumstances are simple and can be dealt with fairly simply by one of the methods
that you have outlined, but there are some groups of people who are more easily recognisable by the complexity of their lives. One piece of compelling evidence that we had was from the Every Disabled Child Matters campaign and they took us, in a way, beyond your remit, and so, in looking at a one-stop shop, I wonder if you are talking to other colleagues as well. For example, a family with a disabled child may have dealings with the DWP on DLA, there might be other benefits issues because other members of the family could well be on benefit because the parents are less likely to be at work; they could also have dealings with the Department of Health, for transport for their child and from hospital. They will have dealings with the local authority for Disabled Facilities Grants, for council tax, and the like; there may be problems with the school, with ordinary transport. In other words, their lives are made complex because of their personal circumstances. The complexity of the benefits entitlement is only part of that wider complexity. Your colleague, Anne McGuire, does an excellent job as the Minister in charge of the Office of Disability Issues, and so she has an overarching role. I just wonder if you have looked at, for those people who are thoroughly easy to identify for having that sort of complexity, liaising with colleagues in other government departments, to look at either co-location of advice services, and we were told that about America, apparently America passed some legislation fairly recently to co-locate some different departments in one setting to offer advice for exactly this group of people, or again to look at identifying a key worker who could liaise across departments. That really is a very big vision. I just wonder if you might want to consider that, or have considered that?

Mr Plaskitt: The answer is yes, because I think that is the way government services will move, and in terms of supporting customers it is the way they should move. I think you can see bits of that beginning to happen already. It will work provided that behind the shop window, if you like, all the different bits are joined up on our side, and so successful systems of data-sharing between different parts of government are critical to achieving that vision which we have got, and that is beginning to happen. There is very positive discussion and work taking place between ourselves and HMRC, for example, on this. Also we are beginning to see at local authority level, where often the first point of contact is for customers, this starting to happen anyway. In more and more parts of the country there are physical one-stop shops appearing, where one individual can guide someone through the whole range of public services which they might be engaged with, which, say, are much wider than just DWP or benefits issues. I think, logically, this is the way things are progressing. I share your vision. Making it happen, of course, is dependent upon the kit, actually, facilitating us offering that kind of service. When you are dealing with something as massive and as complex as Britain’s state services, that is not achieved at the click of a finger.

Q361 Mrs Humble: It also depends upon where is the catalyst to make sure that this happens. I know of good practice in Blackpool, where the local authority, in its centre, has offices in the Town Hall where people come in, a one-stop shop, and there is somebody there, and the DWP, who answers questions especially for pensioners, and so pensioners can have a whole range of advice given. That is because of local initiatives. I hate to use that horrible term ‘postcode lottery’; at some point or other somebody has to say, “If it’s working in X location, it should work in my location,” taking into account local circumstances, obviously. Of course, increasingly the Government has used PSA targets for local authorities to deliver the sorts of services that it wants, and increasingly those targets are becoming outcome-based. I just wonder if there is any opportunity for you to liaise with, for example, Phil Woolas, the Local Government Minister, to say to him “What are your examples of good practice in local government in this area; is there any way that you can set targets and, through DWP, we can be part of that?”

Mr Plaskitt: That does happen and, in respect of my colleague, Mr Woolas, we liaise quite a bit in respect of Council Tax Benefit, which overlaps our two Departments, and we do work together on that. My Department also works very closely with all local authorities because local authorities have an involvement in the delivery of benefits, in particular Housing Benefit and Council Tax Benefit. I work very closely with them. We think constantly about the targets which they are set to work to and listen very much to what they say about that. All the time we are reforming and revising those, in the light of what local authorities have said to us, because we are in the same business, ourselves and the local authorities, in terms of wanting to deliver better outcomes to our customers, who are the same people, at the end of the day. My Department also supports local authorities with investment, in terms of improving their benefit delivery. I think there is a good deal of joined-up working already between ourselves and local authorities and between ourselves and other departments of government, and I think you are right, that is inevitably the direction of travel that we are on and it becomes facilitated increasingly by more sophisticated and co-ordinated IT platforms. As they come and as we sort out the complex issues which lie behind the whole issue of data-sharing, as increasingly we sort those out, the extent to which we can offer this one-point contact, as I was saying, to our customers increases continually, and should do so.

Q362 Mrs Humble: Do you think that the new Local Area Agreements will help in that process?

Mr Plaskitt: Yes, I am certain that they will. If I can speak from my own experience in my own neck of the woods, as a constituency MP, local authorities are already very much engaged in that with departments of central government; they are actually being thought about and worked on already, and I am sure that is the case in other parts of the country as well.
Q363 Mrs Humble: Then can I just pick you up on an earlier comment about “It will work if we get what is happening behind the scenes right.” Again, one of the issues, which you mentioned earlier, which has been presented to us in evidence is that the experience for the claimant can be simplified whilst there is still complexity in the back room. However, if there is too much complexity in the back room, that makes it difficult for your staff to deliver the benefits. Also, even if the claimant has a simple process in the front room, if there is too much complexity in the back room the claimant may not have as clear an idea of their entitlement as they ought to have, so it is not quite as simple as just having either electronic or telephonic, or whatever, methods of claiming and leaving complexity, surely you also still do need to address the complexity in the back room?

Mr Plaskitt: Absolutely, and I tried to say, in answer to earlier questions, that we are doing, because you need to unbundle that concept of complexity and, as I say, I think a priority for us is to see it from our customers’ point of view, but also I have been at pains to say that we have no interest in having a benefits system which is so complex that our staff cannot administer it. Of course there is that dimension to complexity as well, making it an easy system to operate. What I have said though is that there will always be complexity in it, it will always be an ingredient in the system, for reasons I have set out. I have got to make sure that it is as easy as possible for staff to administer and, as I say, that it does not get in the way of the customer accessing the system. You are right, there are those two dimensions to complexity and we are working very much on both of them at the same time, and they complement each other, in the end, of course.

Q364 Mrs Humble: Of course, if it is too complex your IT cannot cope either; but I do not want to get drawn into a long debate about IT. However, you did mention, James, earlier, that you recognise that people are still getting letters which have been churned out by computers which are not helpful, and you did refer to trying to get some plain English into some of the correspondence. Can you tell us how far down the line you are with that?

Mr Plaskitt: Quite well on with it. I have asked to see a range of these letters myself and I am very interested in how they are being rewritten because I want to make sure they are as comprehensive as possible to our customers. Next month, as I say, Jobcentre Plus will begin a comprehensive review of all the computer-generated correspondence, because the objective is clear, that we want the letters to be comprehensible for our customers, and they are not all at the moment.

Q365 Michael Jabez Foster: Can I take up some of the things you have been trying really hard to achieve, which is through some of the schemes such as the Lean Pathfinder Project and the Transformation Programme for Jobcentre Plus. Clearly, the Department have been making efforts to experiment with simplification programmes; what progress have you made on that, what are the early lessons?

Mr Plaskitt: I would say it is going quite well. We are quite encouraged by the indications we have had from trying out the Lean process that you referred to, and indeed we are going to extend it, take it into some further areas, and I can tell you what those are. We are looking to extend those principles into claims to the Social Fund, new claims for Jobseeker’s Allowance and Income Support, the work-focused interview regime, debt management and claims for Attendance Allowance and DLA. I think there is a lot of potential to deploy those techniques more widely across the system.

Q366 Michael Jabez Foster: What appears to be common in those Pathfinders? The fact that the staff are required to hold the hands of the claimants throughout, keeping them informed, and so on, is that possible in a situation where we are looking for a reduction in staffing?

Mr Plaskitt: It is possible to achieve much of the simplification that we are after, because the whole Lean process is designed to respond very much to what we get from customer feedback and from staff feedback and is designed to produce a process which is simpler to administer as well as easier for customers who are making the claims; so it should not cut across the other efficiency objectives which the Department has, the two should not be in conflict. Indeed, I think the Lean programme is one of the ways in which we can continue achieving simplification while at the same time delivering on those efficiency objectives.

Q367 Michael Jabez Foster: Have you made an assessment of the staff involvement, how much more or fewer staff needs to apply to this new process?

Mr Plaskitt: Yes. Obviously, in the areas where we have been piloting this, we have had an enormous amount of staff feedback on it, which has helped inform us in deciding the programme for taking the thing forward next year.

Q368 Michael Jabez Foster: The only other area is that of linking the Housing Benefit and Council Tax Benefit to this whole scheme; in some places it has happened, in some not. Is that an easy add-on, or is it something which you think will still be difficult?

Mr Plaskitt: It is not as easy, because of the involvement of 408 local authorities as part of the benefit delivery process; but that does not mean that we cannot make further progress in improving the administration of those benefits, and we are doing. Again, the processing times are getting better; in respect of Housing Benefit they are very, very substantially better than they were a few years ago, quite substantially so, which is encouraging. I think we can go further in that as well; but it is essential that we have a very constructive dialogue between ourselves and the Local Authority Associations, which we do have, it is very important in helping us do that.
Q369 Miss Begg: You have mentioned already, Minister, that you are reforming benefit by benefit and, in response to John Penrose’s vision thing, you talked about you would see the vision in how each benefit would be reformed. Where do you go from here; what are your next targets for simplification, which benefits are they going to be and which areas of process are likely to be simplified in the years to come?

Mr Plaskitt: There are already some in the programme of work which we have got before us, as I indicated at the outset. You will know that in 2008 there is a big reform of Housing Benefit coming, in respect of tenants in the private sector, with the introduction of Local Housing Allowance. I think that also contributes towards the simplification of the agenda. When we do that we are making the change to the disregard for income from sub-tenancy; that is happening. I have mentioned already the Employment and Support Allowance coming in, in 2008. I have mentioned already, in 2009, the alignment of payment periods. As further work goes forward in other areas of benefit, as we proceed with reform, we will also be able to contribute further towards simplification, in the way that those reforms already announced have done. Clearly, there is more work for us to do across the whole range of benefits. That is why I have suggested that an important document, I think, for your Committee to read will be our response to the Freud report.

Q370 Miss Begg: The DCS, in their evidence, suggested that the Department should only put in IT simplification; that would go quite a long way in helping with simplifying the complexity. What plans does the Department have in the future to simplify the IT, or indeed to bring some of the IT systems together, which would help to answer some of the questions we have been raising already this afternoon about the fact that claimants are still having to give the full information to different areas of either your Department or others?

Mr Plaskitt: We have absolutely got to make more progress there. I think, as we roll out further IT investments and new systems, we are trying to achieve the very objectives that you are talking about. There must be compatibility between different parts of it, the processing needs to be as straightforward as possible and, as I have said before, we need to be doing all that we can to ensure that we are facilitating the service we offer to the customers, not requiring repeat submissions of information which we have got already, and the IT programme is designed to help us achieve exactly those objectives.

Q371 Miss Begg: Is there not a danger, in pursuing incremental change to the benefits system, that you do not pay enough attention to the overall strategic coherence of the benefits system? Somebody is going to be asking about more fundamental reform but really my question is, in thinking incrementally, do you not just therefore complicate it more, rather than simplifying things, because you are dealing with structures as they are and you are not really looking to change the fundamental structure? Therefore, by tinkering with one area or changing one area you simply complicate something else and you lose that overall vision of what the benefits system should look like?

Mr Plaskitt: I would not describe what we are doing as ‘tinkering’ and I would not say that we are without an overall vision. In a theoretical world you could stop the whole benefits system, park it for a while and build a new one, but we do not live in that world, because we have got millions of customers dependent upon us and whom we have to support, and so we have not got that luxury. You are reforming a system which is constantly on the move and supporting people who are moving within the system and whose circumstances change continually. We are retooling the merry-go-round while it is going round and round and we cannot stop it, and we should not, because that would not help our customers; so you are re-engineering while the thing is constantly moving, and that is difficult. I think, if you track back and say, “Well, how are we getting on?” and you look back five, ten, 15 years in the system, it is transformed radically from where it was, all that length of time ago. One of the huge IT investments which were made in the system was to switch to direct payment of benefits. I would chalk that up as a very remarkable IT success. IT “failures” get an awful lot of publicity, both in the public sector and private sector; the big successes do not. Actually, the switch from ‘order book’ payments to direct payments was remarkably successful. I think there was something like a 97 per cent approval rating from our customers for the way that worked, which is quite remarkable. We are building further IT changes into the system but, as I say, you are dealing with a system which is constantly on the move and claims within it which are constantly on the move; you have got to keep that show on the road while you retool the system. It is not straightforward, but we are making very great progress with it.

Q372 Miss Begg: Is there not a danger—and I think that is why you got the (sarnie?) from the Chairman when you said that you might be replacing CMS—that you are actually retooling what you have just retooled before it has actually had time to settle in, bed in and work, and because of the technologies and the IT moving at such a rapid rate of progress and because things are changing and expectations of claimants are also changing, those things are changing far more rapidly than you, as a Department, can move, in order to pilot and then roll out? I think some of the frustration from this Committee is that very often things are dropped just after they have been piloted; they have been piloted, shown to be successful, they are about to go to roll out and then it does not happen. I am thinking of building on the New Deal as one example which has never actually come about. I do not know if you have got an answer to that, because obviously there is a pace of change, that you can manage to keep your
client claimants continuing to get their money, which is important, but at the same time the world is moving that bit faster?

Mr Plaskitt: I understand the frustrations that you are describing and I hear them from time to time, of course. I understand that completely. I do not think I can emphasise too much, this is a huge business, a massive undertaking, supporting the majority of people in the country in one way or another; almost every adult engages with this system in one respect or another. Their circumstances are changing very rapidly and people move employment far more rapidly and frequently than they used to. All those are changing the real world and the welfare system has got to keep pace with it, and inevitably it means that it is a remarkable pace of change, and I know that can be difficult for all of us, it is ongoing and it is going to be, and in that sense, as I said before, it is a journey which does not have an end either. It is about keeping up, but more than keeping up, it is also about keeping ahead, and we do have to think about our customers’ expectations; after all, how are they engaging with the real world in respect of other things that they are doing? They should not expect the process in respect of benefits to be any further behind the way they are doing their banking or getting their TV licence, or anything else that they regularly engage with; we should be making the same sort of effort. Inevitably it means that there is a continuous programme of change and reform in the system. I think you will find that is the case in any benefits system, in any other advanced industrial economy; it is just a fact of coping with the complex and fast-moving lives of our customers.

Q373 Natascha Engel: I want to move on from what Ann has just been talking about to the more fundamental reforms which possibly offer themselves as you are looking at the simplification of benefits in the system. The DWP sent the Committee a memorandum on its research into the possibility of buying out the transitional arrangements of claimants, and especially those who are on legacy benefits, so those benefits for which new claimants cannot apply. Even from Citizen’s Advice, they thought that this was a much better idea than transitional arrangements and I want to ask you a couple of questions about it. First of all, what do you understand by ‘buying out’ and could the principle of buying out be the start of more radical reforms or more fundamental reforms in the whole system?

Mr Plaskitt: Firstly, buying out simply replaces an ongoing obligation to pay benefit for a period of time with a cash payment, and that terminates that arrangement; there is a lump of money and that is the end of the transitional arrangement. Technically, that is what it means, and it is an option which you have when you are trying to achieve greater simplification in the system. The whole issue of transitional arrangements is an interesting one in itself, because pretty much all of them have come about as a result of reforms to the system, many of which were driven by process simplification, but you hit this tension between the simplification and fairness, and you are always going to hit it. I have done it. Ministers before me have done it, we have agreed to put in transitional arrangements because we want to protect people, legacy cases, if you like, that have been in the system, and ensure that they are not adversely affected by a move to a new benefit arrangement. They are pretty much all there for understandable and justifiable and defensible reasons, but it invites the question, therefore, if you want to do a major simplification, can you buy some of these out? It is an option, and that is why we suggested it in the paper which came to you. Is it a portent of much more radical change in the system; it is a pretty radical change in itself, if we decide to go ahead with it, and that is why I think we have been open with you about the fact that it is an option which we have to consider when we are looking at all the means of achieving some greater simplification in the system.

Q374 Natascha Engel: I am thinking more about buying out as a principle across the benefits system, so that you bought out and then moved on to something else?

Mr Plaskitt: I think many customers’ circumstances will not make it a feasible option, and that has got to drive the process, in the end, and it is not going to be a realistic option, I think, for many of our customers in the system.

Q375 Natascha Engel: Why not?

Mr Plaskitt: Because of their circumstances, because they might be in receipt of more than one benefit, their circumstances might change very regularly, they might be in and out of the benefits system; many people are in those circumstances where the engagement is quite complex and you have got on-off flows of benefit. It is not going to work, I think, in areas like that as easily as others.

Q376 Jenny Willott: Can I just ask a question. We are talking about people who are on benefits which no longer exist. If they are going in and out of the system, how could they still be on them? If you have been on Invalidity Benefit and you come off it, then when you come back you have to go on to Incapacity Benefit, you do not go back onto Invalidity Benefit.

Mr O’Gorman: We are linking those. People can go off for a certain period and come back with the same entitlement as when they left. It is a measure to encourage them to try to work, without the fear of losing money they are entitled to.

Q377 Jenny Willott: In terms of the number of benefits that there are which have changed over the years, Income Support, there is a list of them in there, are you really saying that, the majority of the people who are on those, the reason they could not report out and go onto a different, existing benefit is because they are going on and off? I do not quite understand.

Mr Plaskitt: I think we are running ahead of ourselves here. All we are trying to do, in the memorandum, is suggest that buying out is an option. I think that is about where it sits at the moment. The further you get into it, as you are
beginning to see, the more difficult it becomes to write the individual rules for the circumstances where it might apply; but it is an option. I do not think, at this stage, I can go much further than that.

Q378 Natascha Engel: It does seem simple?
Mr Plaskitt: I know it does, but a lot of things seem simple which when you then apply them can throw up some other issues which are far from simple.

Q379 Natascha Engel: In the Welfare Reform Green Paper it is said that there may be advantages in moving in the longer term towards a single system of benefits for all people of working age. This has been doing the rounds for years, it has gone backwards and forwards and has come up with different conclusions. Could you tell me what you see as being those advantages, and again can you just define what you mean by long term; and then most critically for me is the fact that if you have got a single system of benefits at what level would you set it and how would you judge that?

Mr Plaskitt: I think there is a distinction here between single benefit and single system of benefits and we are talking about a single system of benefits, benefits plural, so you are going to have different benefits, as we have at the moment. The reason we are talking about a single system of benefits, I would describe it as a coherent family of benefits, is that the pieces all fit together. They may be different benefits, to respond to different needs and different sets of circumstances, and they may have different foundations to them, but they need to be cohesive as a system so that people do not fall between the cracks between different benefits, we can move them from one to the other, find it a fairly seamless process, and people who are in receipt of more than one of them and are not having to deal with differences in the process which are not necessary, that is what I understand by creating the system of benefits; quite a different matter from a single benefit.

Q380 Natascha Engel: How does that differ from what we have at the moment; do we not have a single system?
Mr Plaskitt: The whole reason why I think that you are having this inquiry and why we are having so much work done on the process of simplification is that, at the moment, yes, there is a family of benefits but they do not fit well together necessarily; that is the whole point. That is why we are looking at all the things which are on the agenda of the Simplification Unit, and it is why we subject every reform that we are taking forward to the test is it contributing towards simplification, precisely to try to bring the system into greater coherence than it has at the moment; that is what informs this whole process.

Q381 Natascha Engel: The point about the single working-age benefit, which has been resurrected by Freud, what studies or research is the DWP doing into the feasibility of that, and, I will come back to the question, at what level would you set it?

Mr Plaskitt: Freud has also talked about creating the system of benefits, and I think it is very important to be clear as to the distinction between a single system and a single working-age benefit, they are two very, very different things. In terms of how we are responding to that, I am afraid, again, I have got to say, if you wait until our response to the Freud report, that will be a document which I think you will want to see and it will contain some of the answers; but I cannot anticipate it.

Q382 Natascha Engel: The proposal which I am interested in is the single working-age benefit which Freud has outlined; will the DWP response to Freud also include that, or will it talk about just the idea of a single system?

Mr Plaskitt: The response to Freud will answer the questions that you are asking.

Q383 Natascha Engel: That has helped.

Mr Plaskitt: I cannot anticipate what we are going to say in the Freud report: the response will pick up the arguments that Freud has put to us about the next stages, the long-term programme of welfare reform.

Q384 Natascha Engel: The reason why this is concerning me is that it does feel that these are arguments which have been had, certainly the single working-age benefit, and there have been quite a few responses, and certainly we have had a lot of evidence. I was just wondering where the DWP stood on this now, and you will say I will have to wait for the report?

Mr Plaskitt: I think you do need to await what we publish in our response to Freud. I think you will it very helpful with all of the questions you are asking in this regard.

Q385 Michael Jabez Foster: You said you cannot park the system and start with some brand-new system weeks later, and I understand that, but do you have in your mind what that system would be, if you could park the system? It may not be practical but what I think we are seeking to ask is does the Government actually know what it would want to have if it could start again? There will be compromises when you come to it, but do you know, do you have a template, do you have a firmness and clarity and clarity of view about where you would want the system to be, should you have that luxury?

Mr Plaskitt: I think that starting again is not helpful, I think you and I would agree about that. The other important thing to say is there is no end to this journey. The problem I have with that question is that you are kind of tempting me to say what is the definition of a simple benefits system. We will have several years’ worth of reform work in front of us, which will advance considerably the process of simplification. As I have said before, when that work is completed you still will not be at a simple benefits system, more work will need to be done, because, again, the circumstances of the people we are serving will have moved on, customer expectations will have moved on. It is easier to answer your question in
respect of the negative, what it is we are trying to take out. The things that we do recognise as complexity and are identified as complexity, where that no longer has any justification, our programme is about taking that out, removing unnecessary and unjustified complexity from the system. The positive side of it, as I have said, is making the family of benefits fit together so that they are more coherent and more cohesive. The other big test of simplification is what is it like for our customers engaging with the system, are they finding it easier to do that, getting the response they want, is the response timely, are the benefits paid on time, is the process easy and user-friendly; that is a test. Another test is the ability of our staff to administer this system, and it is a question of constantly applying those tests, as we go through, to know whether we are achieving greater simplicity in the system. There is no one, single, ‘off the shelf’ portrait of a simple, the simplified, ‘for all time’ benefits system; to some extent, that is an illusion, you will not get there. What we do know is we can make, and are making, the present system simpler and less complex and easier to operate and easier for our customers to use, and that is going to be an ongoing process; but it has a lot more momentum behind it now, thanks to the commitment we made to do this and the existence of the Unit, which constantly challenges us to keep up to the mark on this objective.

Chairman: Thank you very much. Can I just make an observation; I do not want or expect an answer. On the letters, which the Department has produced, the idea of benefit sanctions is to change behaviour. The research which the DWP has done, and many others, shows that most people who are sanctioned do not know they are being sanctioned; those who do know they are being sanctioned often do not know why and do not know what they need to do to put it right. I think, in your review of the types of letters which do not, you might look at that, and I am thinking particularly of the recent news which came out that 44,000 more parents have been sanctioned for not attending the second work-focused interview, and that just cannot be right. There must be something wrong there. I will ask you just to bear that in mind.

Plaskitt: I am aware of that problem and it is part of the consideration I am giving to all of the letters as we review them. I have got that very much on board already.

Chairman: Thank you very much.
Written evidence

Memorandum submitted by Disability Solutions

— Yearly up rate letters for Income Support do not include a breakdown of benefit entitlement for the April up lift. (Paragraph 1)
— The underlying entitlement to Carers Allowance should continue when there is a temporary break in caring. (Paragraph 2)
— Disability Living Allowance and Attendance Allowance new decision letters should include the written reasons for the decision. (Paragraph 3)

PARAGRAPH 1

Yearly up rate letters for Income Support, sent out in February 2007, do not include a breakdown of benefit entitlement for the April up lift. Consequently, claimants must request a further entitlement letter after 12 April to show the breakdown. The Local Authority needs this proof for Fairer Charging and Council Tax Benefit/Housing Benefit purposes.

Income support up rate letters should be the same as Pension Credit up rate letters, which include a full breakdown for both the current and future benefit year.

PARAGRAPH 2

When someone who receives Carers Allowance has a break from caring, for example when the person cared for goes into hospital, the underlying entitlement should continue. When the person then returns home and the Disability Living Allowance or Attendance Allowance is reinstated Carer’s Allowance Unit should be able to reinstate the Carers Allowance without the need for a new claim. This would save a lot of official time and avoid benefits going unclaimed.

PARAGRAPH 3

Disability Living Allowance and Attendance Allowance new decision letters should include the written reasons for the decision. Claimants would then have better information as to how the decision has been reached. This would avoid the need for claimants and advisers to telephone and request an explanation or written reasons for the decision. In my opinion this would save unnecessary and frivolous appeals.

Mr Roy Beeson
April 2007

Memorandum submitted by Citizen’s Income Trust

This submission:
1. Describes a Citizen’s Income and outlines the contribution which the implementation of a Citizen’s Income would make to the simplification of the benefits system, to employment incentives, and to tackling poverty.
2. Describes how a Citizen’s Income would work.
3. Describes six fundamental changes which a Citizen’s Income would represent.
4. Shows how a Citizen’s Income would integrate the tax and benefits systems.
5. Show how a Citizen’s Income scheme could pay for itself.
6. Discusses transitional arrangements.
7. And contains brief notes on housing costs.
THE CITIZEN’S INCOME TRUST

The Basic Income Research Group (BIRG) was set up in 1984 to promote debate on the feasibility and desirability of a Citizen’s Income. BIRG was renamed the Citizen’s Income Trust in 1992.

The Citizen’s Income Trust is not a pressure group, nor is it aligned to any political party. It publishes a regular Newsletter, maintains a website and a library, responds to requests for information, and undertakes research projects directly related to its aims. The Trust is a registered charity, and is affiliated to BIEN (The Basic Income Earth Network: formerly the Basic Income European Network), which it helped to form.

The Citizen’s Income Trust is a registered charity, No 328198, and it has a website at www.citizensincome.org.

1. WHAT IS A CITIZEN’S INCOME?

1.1 A Citizen’s Income (CI) is an unconditional, automatic and nonwithdrawable payment to each individual as a right of citizenship.

1.2 (A Citizen’s Income is sometimes called a Basic Income (BI), a Universal Grant, or a Universal Benefit).

1.3 A Citizen’s Income scheme would phase out as many reliefs and allowances against personal income tax and as many existing state financed cash benefits as possible and replace them with a CI paid automatically to every man, woman and child.

1.4 A Citizen’s Income will be simple and efficient and will be:

— Affordable within current revenue and expenditure constraints, i.e. revenue neutral.
— Easy to understand. A CI is a universal entitlement based on citizenship that is non-contributory, non-means tested and non-taxable.
— Cheap to administer and to automate.

1.5 The CI attack on poverty is three pronged. It will:

— End the poverty and unemployment traps, hence boosting employment.
— Be a safety net from which no citizen is excluded.
— Be a platform on which all citizens are free to build.

1.6 A CI scheme will encourage individual freedom and responsibility and help to:

— Bring about social cohesion. Everybody is entitled to the same Citizen’s Income and everybody pays tax on all other income.
— End perverse incentives that discourage work, marriage and savings.

2. HOW WOULD IT WORK?

2.1 A CI scheme would co-ordinate the tax and benefits systems. A single government agency would credit the CIs automatically and recoup them via income tax levied on all income rather than running separate systems of means testing, benefit withdrawal and taxation. Instead of different rules for claimants and taxpayers, everybody would be treated alike.

2.2 Automatic payments. Each week or each month, every legal resident would automatically be credited with the CI appropriate to his or her age. For most adults this could be done through the banking system; for children it could be done through the bank accounts of their parents. For adults without bank accounts special provisions would be necessary. CI supplements would be paid to older people and those with chronic disabilities, but there would be no differences on account of gender or marital status, nor on account of work status, contribution record or living arrangements.

2.3 Tax-free and without means-test. The CIs would be tax-free and without a means test, but tax would be payable on all, or almost all, other income. This is necessary in order to finance the scheme. The rate of tax would depend on the CI amounts. The higher the CI, the higher the tax rate.

2.4 A new, comprehensive income tax. There are various ways of funding a Citizen’s Income. The particular scheme discussed in this booklet assumes that the CI will be paid for by removing tax allowances and reliefs and reducing means-tested and contributory benefits. In addition, income tax and employees’ National Insurance contributions would be merged into a new income tax.

2.5 It is appropriate to establish the viability of a Citizen’s Income funded by income tax, but a CI could also be part of a wider tax reform package including, for example, a land value tax and/or a carbon tax.
3. **Six Fundamental Changes**

3.1 *The basis of entitlement becomes citizenship*, subject to a minimum period of legal residency in the UK. Every citizen would have a small independent income, whether or not they are in paid employment.

3.2 *The individual is the tax/benefits unit*. The CI would be paid to individuals, not families or households. Unlike the existing benefits system, CI is symmetrical between men and women and between married, cohabiting and single. Marriage and cohabitation are neither subsidised nor penalised.

3.3 *The Citizen’s Income is not withdrawn as earnings and other income rises*, nor is it reduced by owning assets. The CI would be a base on which to build without having to report to officials every minor change in earnings or household composition. Simultaneously benefits fraud would be reduced significantly. Work and savings of all types would be encouraged.

3.4 *The availability-for-work rule would be abolished*. Under the current system, young people in education or training and unemployed people who study or train for more than a few hours a week forfeit most benefits. With a CI this would not happen. School attendance, further and higher education, voluntary work, vocational training and re-training would all be facilitated.

3.5 *Access to a CI would be easy and unconditional*. Instead of the current maze of regulations, often resulting in perverse incentives, everybody would know their entitlement and their obligations. Take-up, as with Child Benefit (currently the only form of Citizen’s Income in the UK), would be nearly 100%.

3.6 *Benefit increases would be linked to earnings increases or to GDP rather than to inflation*. To index the CI slower than this would merely store up problems for the future. Whilst all citizens would benefit from a more generous level of the CI there would be an equal and opposite pressure against income tax rises to fund it. So two basic variables—the CI level and the income tax rate required to fund it—will be inherently linked and stable.

4. **Integrating Tax and Social Security**

4.1 *The current system*

4.1.1 Putting housing related benefits to one side, in 2006 the net income of a single earner aged 25 or over after income tax, National Insurance, income support/jobseeker’s allowance and working tax credits was as follows:

![Chart 1](image)

<table>
<thead>
<tr>
<th>Hours worked per week at NMW</th>
<th>Post tax/benefits income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£0</td>
</tr>
<tr>
<td></td>
<td>£50</td>
</tr>
<tr>
<td></td>
<td>£100</td>
</tr>
<tr>
<td></td>
<td>£150</td>
</tr>
<tr>
<td></td>
<td>£200</td>
</tr>
</tbody>
</table>

4.1.2 The chart clearly reveals the benefit trap. As earned income rises, benefits fall and, for someone earning the National Minimum Wage (currently £5.35 per hour), net income only begins to rise when they are employed for 16 hours a week. If this single adult then starts working 40 rather than 16 hours, his or her gross income increases by £128 per week, but his or her net income increases by only £65 per week—having suffered £34 in income tax and National Insurance Contributions and lost £29 in Working Tax Credits. The increase in net income is only 51% of gross income, so there is a “marginal deduction rate” or “withdrawal rate” of 49%. For many family types, withdrawal rates are 85% of earned income up to nearly £400 per week; and for some family types and some earnings ranges the withdrawal rate is higher than 95%.
4.2 *ACI proposal*

4.2.1 The relatively uncontroversial CI scheme proposed here assumes the following rates of Citizen’s Income:

<table>
<thead>
<tr>
<th>Age</th>
<th>Weekly CI, £</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 18</td>
<td>34</td>
<td>2006–07 IS/JSA rate for 16–17 year olds</td>
</tr>
<tr>
<td>19 to 24</td>
<td>45</td>
<td>2006–07 IS/JSA rate for 18–24 year olds</td>
</tr>
<tr>
<td>25 to 64</td>
<td>57</td>
<td>2006–07 IS/JSA rate for 19–59 year olds</td>
</tr>
<tr>
<td>65 and over</td>
<td>114</td>
<td>2006–07 Pensions Credit rate</td>
</tr>
</tbody>
</table>

![Chart 2](chart2.png)

4.2.2 Overlapping the two charts shows that the system will increase work incentives at most levels of income:

![Chart 3](chart3.png)

4.2.3 For simplicity, we shall assume a flat rate of tax on earned income of 33% (22% income tax plus 11% Employee’s National Insurance Contributions), although a somewhat higher rate might be necessary on higher earnings. Rates of 22% would continue for pensioners and of 20% for unearned income.
5. Paying for a CI Scheme

5.1 The approximate total cost of the benefits and tax reliefs and allowances that would be replaced is as follows:

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security spending</td>
<td>£107 bn</td>
</tr>
<tr>
<td>Tax reliefs and allowances</td>
<td>£94 bn</td>
</tr>
<tr>
<td>DWP running costs</td>
<td>£6 bn</td>
</tr>
<tr>
<td>HMRC (Tax Credit administration)</td>
<td>£1 bn</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£208 bn</strong></td>
</tr>
</tbody>
</table>

Table 2

5.2 The £17 billion saving assumes that tax relief for pension contributions is restricted to 22% at source, the same as the rate of income tax deducted from pensions in payment. Pension income is not subject to NI, so additional NI rebates and reliefs are unnecessary. The £17 billion figure also assumes that existing SERPS/second state pension commitments will continue to be honoured. Some of the savings would be required for transitional measures (Section 6).

5.3 Running costs are estimated at 1%, which is the approximate cost of administering Child Benefit (non-contributory, non-means tested, and non-taxable). No estimate has been included for the additional tax receipts that will result from the ending of the poverty and unemployment traps and the resulting increase in employment and economic activity.

5.4 That the UK can afford a Citizen’s Income scheme is illustrated by the fact that GDP per head in 2005 was £20,338 pa = £391.12 pw (Source: UK National Accounts, 2006, table 1.5, item IHXT)

5.5 (The Citizen’s Income Trust is still working on the detailed costings of the illustrative scheme contained in this submission, and might at a later date suggest minor revisions).

6. Transitional Arrangements

6.1 There will be clear winners under the CI system proposed here, in particular:
- Single earners on low or fluctuating incomes.
- Students.
- Families with children on low to average earnings.
- Pensioners with small savings and pensioner couples.

6.2 It is also clear that if the CI scheme were adopted outright then in the short-term we shall need to retain a residual means-tested system for:
- single mothers with no earned income who receive no maintenance from the absent father; and
- long-term Incapacity benefit claimants and long-term unemployed and a residual contributory system for women under 65 while they remain eligible for state pensions.

6.3 There will be an initial cost of redundancy packages for civil servants at HM Revenue and Customs and at the Department for Work and Pensions.

6.4 The CI scheme outlined here ignores the fact that some residents have not been in the UK long enough to qualify, and it also ignores pensioners living abroad who receive a state retirement pension. Both of these should be covered largely by reciprocal arrangements with other countries, but a net liability may remain.
7. **Housing-related Benefits**

7.1 The CI scheme outlined so far has ignored housing and council tax benefits, which cost around £19 billion annually. The additional cost of the below-market rents in the social rented sector (compared to market rents) is around £15 billion per annum.

7.2 We are aware that housing-related benefits need radical reform, but we believe that to be a separate debate and not directly related to the implementation of a Citizen’s Income.

### APPENDIX 1

<table>
<thead>
<tr>
<th>£m</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>DWP Table 3, estimated outturn, 2006–07</strong></td>
</tr>
<tr>
<td>----</td>
<td>-------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Basic state pension</td>
</tr>
<tr>
<td></td>
<td>44,837</td>
</tr>
<tr>
<td></td>
<td>Pension Credit</td>
</tr>
<tr>
<td></td>
<td>7,106</td>
</tr>
<tr>
<td></td>
<td>Other age-related benefits</td>
</tr>
<tr>
<td></td>
<td>4,371</td>
</tr>
<tr>
<td></td>
<td>Jobseeker’s allowance</td>
</tr>
<tr>
<td></td>
<td>2,461</td>
</tr>
<tr>
<td></td>
<td>Incapacity benefit (IB)</td>
</tr>
<tr>
<td></td>
<td>4,771</td>
</tr>
<tr>
<td></td>
<td>Statutory maternity and sick pay (SMP, SSP)</td>
</tr>
<tr>
<td></td>
<td>800</td>
</tr>
<tr>
<td></td>
<td>Income support (less child allowances)</td>
</tr>
<tr>
<td></td>
<td>6,550</td>
</tr>
<tr>
<td></td>
<td>Carer’s allowance and other minor benefits</td>
</tr>
<tr>
<td></td>
<td>2,057</td>
</tr>
<tr>
<td></td>
<td><strong>Sub-total DWP Table 3, Great Britain only</strong></td>
</tr>
<tr>
<td></td>
<td>82,036</td>
</tr>
<tr>
<td></td>
<td>Add 3% for Northern Ireland</td>
</tr>
<tr>
<td></td>
<td>2,461</td>
</tr>
<tr>
<td></td>
<td><strong>HMRC annual report 2005–06</strong></td>
</tr>
<tr>
<td></td>
<td>Child Benefit and Child Trust Fund</td>
</tr>
<tr>
<td></td>
<td>11,700</td>
</tr>
<tr>
<td></td>
<td>Tax credits</td>
</tr>
<tr>
<td></td>
<td>17,300</td>
</tr>
<tr>
<td></td>
<td>Student grants/low interest loans</td>
</tr>
<tr>
<td></td>
<td>2,200</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td></td>
<td>106,614</td>
</tr>
</tbody>
</table>

(1) Any disability-related elements will be retained.
(2) The total cost for IB per Table 3 is £6,529 million. If those eligible for IB at the long term rate of £78 per week are paid £21 in addition to their CI entitlement of £57, the cost is reduced by (£57 ÷ £78) x £6,529 million = £4,771 million.
(3) The total cost per Table 3 is £1,529 million. If those eligible for SMP at £109 per week are paid £52 in addition to their CI entitlement of £57, the cost is reduced by (£57 ÷ £109) x £1,529 = £800 million.
(4) Child trust fund estimated at 700,000 births x £250.
(5) Figure does not include £4,600 million treated negative tax (included in Appendix 2).
(6) Figure per www.donttaxmytalent.co.uk

### APPENDIX 2

<table>
<thead>
<tr>
<th>£m</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>HMRC Table 1.5</strong></td>
</tr>
<tr>
<td></td>
<td>Cost of tax reliefs and allowances (2006–07)</td>
</tr>
<tr>
<td></td>
<td>Personal allowance (income tax)</td>
</tr>
<tr>
<td></td>
<td>30,100</td>
</tr>
<tr>
<td></td>
<td>Age-related personal allowances</td>
</tr>
<tr>
<td></td>
<td>2,400</td>
</tr>
<tr>
<td></td>
<td>Tax credits (treated as negative income tax)</td>
</tr>
<tr>
<td></td>
<td>4,600</td>
</tr>
<tr>
<td></td>
<td>Income tax relief for approved pension schemes</td>
</tr>
<tr>
<td></td>
<td>16,300</td>
</tr>
<tr>
<td></td>
<td>National insurance rebates for pension schemes</td>
</tr>
<tr>
<td></td>
<td>16,970</td>
</tr>
<tr>
<td></td>
<td>PEP, ISA, VCT and EIS reliefs</td>
</tr>
<tr>
<td></td>
<td>2,325</td>
</tr>
<tr>
<td></td>
<td><strong>HMRC Table 1.6 (2007–08)</strong></td>
</tr>
<tr>
<td></td>
<td>Additional tax if all earned income were taxed at 33%</td>
</tr>
<tr>
<td></td>
<td>Increase starting rate from 10% to 22%</td>
</tr>
<tr>
<td></td>
<td>6,600</td>
</tr>
<tr>
<td></td>
<td>Remove lower earnings/profits limit (National Insurance)</td>
</tr>
<tr>
<td></td>
<td>12,610</td>
</tr>
<tr>
<td></td>
<td>Align Class 4 and Class 1 National Insurance rates</td>
</tr>
<tr>
<td></td>
<td>945</td>
</tr>
<tr>
<td></td>
<td>Align upper earnings/profits limit with higher rate tax threshold (National Insurance)</td>
</tr>
</tbody>
</table>

(1) Table 1.5 gives a figure of £40,000 million, but this assumes that the basic state pension would be taxable, which would raise £9,900m (£44,837m x 22%). The potential saving shown here is lower as the CI paid to pensioners will be non-taxable.
(2) These are in addition to the Tax Credits treated as benefit payments.
(3) Table 1.5 shows £16,300 million as the net cost, i.e. the cost of tax relief (at up to 40%) minus tax paid on pensions in payment (largely at 22%). If tax relief for pension contributions is restricted to 22% at source, the net long-run cost will be minimal.
(4) Under a CIs scheme, NI will be merged into the overall tax rate and all benefits will be non-contributory, so there will be no additional National Insurance rebates or reliefs.
(5) These are regressive subsidies. A higher rate taxpayer benefits twice as much as a basic rate taxpayer and benefit claimants lose benefits if they have significant savings.
(6) The figures for 2006–07 are no longer published.
(7) £97 = 2 x (£240 million + £20 million) = £12,610
(9) 3 x £315 million = £945 million.
(10) Higher rate threshold £38,335 minus upper earnings/profits limit £33,600 = £4,735 = £520 x (£150 million + £15 million) = £1,502.

2 April 2007

Memorandum submitted by Fran Bennett (University of Oxford) and Mike Brewer (Institute for Fiscal Studies)

SUMMARY

A well-meaning desire to reduce complexities in the benefit system can often be hindered by the difficulties in defining “complexity” and in measuring whether it is falling.

A more productive approach would be to target directly the outcomes which should improve if complexity is reduced.

These would include some outcomes already monitored by DWP, such as higher take-up rates, lower levels of fraud and error, lower administrative costs for DWP, a reduced total cost to the Exchequer and a more acceptable distributional impact of the benefit system.

But the impact of complexity on people receiving benefits is not currently monitored by DWP. The most direct measure would be the time and money claimants spend in claiming benefits, maintaining a claim when circumstances change or benefits need to be renewed, and also in stopping a claim where relevant. This concept can be usefully thought of as the costs of compliance with the benefits system.

We recommend both that the Committee consider its terms of reference through the lens of the costs of compliance, rather than solely benefit simplification, but also that the DWP considering regularly monitoring claimants’ compliance costs, certainly for changes to benefits, but also for the existing structure. Without this, there is a risk that policies will reduce the complexity of benefits as seen by DWP staff without reducing the time and effort spent by claimants.

1. INTRODUCTION

1. We welcome the opportunity to provide a short note to the Work and Pensions Select Committee’s benefits simplification inquiry. Whilst we appreciate the boundaries of the Committee’s remit, this note also covers tax credits. The main purpose of the note is to suggest that the Committee could usefully consider the concept of the “costs of compliance” of benefits (and tax credits), and that this could provide a more rounded and complete picture of the impact on claimants of the design, mechanics and conditions of benefits/tax credits than the narrower concept of benefit simplification (i.e. complexity). Furthermore, given the difficulties in defining and measuring complexity or simplification, there are considerable advantages in targeting something which, if not straightforward to measure, is at least one dimensional.

2. COSTS OF COMPLIANCE

2. There is an existing literature on the compliance costs/burden of taxes (Evans, 2003)—i.e the costs to the individual (or company) of complying with demands from governments to pay taxes. These include the opportunity costs of the time taken to fill in a tax return (for those for whom this is relevant), the inconvenience of doing so, and any direct financial costs incurred (such as employing an accountant).

3. We would argue that this concept of the costs of compliance can also usefully be applied to those who claim benefits/tax credits. It could be argued that people choose to claim benefits/tax credits, whereas they are obliged to pay taxes, and that therefore the two cannot be seen as analogous in this way. However, we would argue that most benefits/tax credits are essential in order to achieve an adequate income, obtain
compensation for disbenefits, meet additional costs (for example, of disability) etc. And the existence of many benefits/tax credits also contributes towards broader goals of economic growth, social cohesion etc. to which this Government (like others) is committed.

4. Applicants and recipients of benefits/tax credits incur costs—time, financial and psychological—in meeting the requirements placed on them by social security/tax credit law and statutory authorities. These requirements are not only those associated with claiming benefits, but also those involved in maintaining a claim and also in leaving benefit/tax credit where relevant. The requirements could include, for example:
- finding out about and applying for benefits/tax credits;
- taking part in any interviews required;
- fulfilling reporting and other requirements;
- receiving/obtaining the money;
- dealing with any problems; and
- any actions involved in leaving benefits/tax credits.

Some costs may be incurred by members of their families in addition.

5. These costs will obviously vary:
- from benefit to benefit (means-tested versus non-means-tested, but also those which require a medical assessment versus those which do not etc);
- from claimant to claimant (eg for those for whom English is a second language compared with native English speakers); and
- with different circumstances (such as time in the lifecycle etc).

6. This means that it would be impossible to arrive at one global figure which could represent the “costs of compliance” for each benefit/tax credit (though means-tested benefits and income-related tax credits are likely to be the most “costly”); and even to arrive at a range of estimates which included such non-quantifiable elements as hassle, intrusion and stigma etc. would be problematic.¹

7. But, however difficult the exercise, we would argue that governments should be interested in these costs, and in trying to measure—and minimise—them. For example, in line with the current Government’s “rights and responsibilities” agenda, the requirements of compliance are increasing for some people (eg through penalties for non-attendance at work-focused interviews, non-take-up of work-related activities etc). And sometimes action to solve a problem can be accompanied by increases in the costs of compliance for claimants; for example, the recent 10-fold increase in the amount which can be earned whilst on tax credits before income counts against entitlement (from £2,500 to £25,000 additional income in one year), which clearly reduces HMRC’s administration and operational costs, was accompanied by more stringent reporting requirements for changes in other circumstances, which clearly increases claimants’ compliance costs. We believe that it is essential to monitor changes in requirements such as these, in addition to any existing complexities of the structure of benefits and claiming processes etc. It should be noted that this kind of monitoring is likely to go beyond the regular surveys of customer satisfaction which both the DWP and HMRC already carry out (Sanderson et al, 2005; Herdan, 2006).

8. It could be argued that “compliance” is too loaded a term, in that it is already in use to refer to adherence (or not) to the rules governing benefits/tax credits (the avoidance of fraud). An alternative phrase would be “transaction costs”; this is a common term in economics, and refers to the costs of locating information about opportunities for exchange (transactions), of negotiating terms, and of enforcing the contract. However, “transaction” tends to imply exchanges between equals (as does much of the current government’s language about the “welfare contract”) and that the costs are incurred at a specific, discrete time; we prefer the term “costs of compliance”, despite the problems outlined above, as it implies the inherent inequality of the position in which claimants of benefits/tax credits usually feel themselves to be, and it also recognises that the costs of complying with benefit and tax credits can continue after the initial claim.

3. REASONS FOR CONSIDERING THE COSTS OF COMPLIANCE

9. First, and most obviously, consideration of the costs of compliance can help us to understand the reasons for non-take-up of benefits/tax credits. Indeed, it could be argued that this is the area in which such a concept is already well used (see note 1). The literature on take-up already makes it abundantly clear that complexity is not the only reason why some people do not take up their entitlements. Costs such as stigma, intrusion and hassle may be weighed in the balance against the likely amount of benefit/tax credit to be obtained (Corden, 1999; van Oorschot, 1991; Bunt etc, 2006)

10. Secondly, any cost and benefit analysis of changes to benefits/tax credits that ignores compliance costs is necessarily partial. Time spent by recipients fulfilling their obligations is time that cannot be spent engaged in other activities. Currently, government regulatory impact assessments (RIAs) estimate the costs

¹ Though some of the literature on (non-)take-up attempts to arrive at the “tipping point” where the amount of benefit available outweighs the hassle, humiliation, effort etc. involved in claiming it.
(including time) of new regulations to business, government and the voluntary sector, but not to individuals. But an assessment of the compliance costs to claimants of the operation of particular benefits/tax credits, and of any changes to them, should form an essential part of Government’s consideration of whether to introduce or amend social security provisions. The National Audit Office has already recommended that the Government should aim to minimise the compliance burden which its forms impose on citizens (NAO, 2003).

11. Analysis of compliance costs can also be used to develop a more rounded measure of the productivity of the benefits system, following recommendations in the Atkinson Review (2005) which suggested that ideally when examining productivity the outcome for claimants should also be considered. (The same could be argued for tax credits, especially when the compliance costs of taxes are already under examination for employers by HMRC.) There is considerable pressure within government to find efficiency savings in the budgets for administering benefits/tax credits (eg the current reductions in staff numbers and the closure of local DWP and HMRC offices), and there is often a trade-off between reducing compliance costs and reducing administration costs. This trade-off will not be openly recognised if no effort is made to assess and measure compliance costs.

4. CONCLUSIONS

12. We would therefore argue that the Committee should consider its terms of reference through the lens of the costs of compliance, rather than solely benefit simplification. Reductions in complexity/benefit simplification may not always be positive, holding other factors constant.

13. Instead, the Committee may instead wish to consider the reasons that it is generally thought that a reduction in complexity might be desirable. For example, a simpler benefits system might lead to:
   — higher take-up rates;
   — lower levels of fraud and error;
   — lower DWP(HMRC) administrative costs;
   — a reduced total cost and a more acceptable distributional impact of the benefit/(tax credits) system and, we argue; and
   — lower costs of compliance for claimants.

14. We believe that it is these outcomes as end goals which are crucial, rather than benefit simplification for its own sake, and that one of these outcomes must be a reduction in the costs of compliance for claimants. Currently, there could be a policy bias within DWP because some of these outcomes are explicitly measured and targeted by Government, but others—including the costs of compliance for claimants—are not.

REFERENCES


Bunt, K et al (2006), Understanding the Relationship Between the Barriers and Triggers to Claiming Pension Credit, DWP Research Report 336, Leeds: CDS.


KPMG (2006), Administrative Burdens—HMRC Measurement Project: Tax, HMRC.


3 April 2006
Memorandum submitted by Institute for Public Policy Research (IPPR)

SUMMARY

— Later in 2007 the Institute for Public Policy Research (IPPR) will be publishing work on welfare reform including creating a citizen-centred welfare state. The work will be completed in May but this submission signals some of the key issues that have emerged through our research.

— A radical overhaul of the current benefits framework is required if we are to achieve the Government’s aspiration of an 80% employment rate and end child poverty (as well as poverty experienced by other people).

— It is desirable and entirely feasible to simplify out of work benefits for people of working age. This will require vision, political will and upfront resources.

— We recommend the detailed modelling of a single out of work benefit for people of working age, with a view to introducing it by 2020.

— New Zealand offers valuable lessons in how a single benefit might be structured and planned.

— The advantages of a single benefit include:
  — greater transparency (leading to greater understanding of, and support for, the benefits system),
  — greater administrative simplicity,
  — the end of a system of categorising people according to a single characteristic such as lone parenthood and the introduction of a system centred on the citizen as an individual,
  — greater alignment of the benefits systems with employment support options.

SUBMISSION

1. Later in 2007 IPPR will be publishing work on welfare reform including creating a citizen-centred welfare state. The work will be completed in May but this submission signals some of the key issues that have emerged so far through our research.

2. The core question that must be addressed is: what’s wrong with the current system of benefits? We conclude that the current system fails to deliver on, what should be, its two primary objectives: to support people back into work, and to lift people out of poverty at times when they cannot work.

3. One of the reasons for this systemic failure is the complexity of the benefits system and its inability to respond effectively to individuals’ needs and circumstances.

4. Much of the current complexity exists for good reason. In part, the current level of complexity exists because policymakers have sought to make the benefit system more responsive to people’s varying circumstances and to counter unintended consequences of previous reforms.

5. However, there is now an opportunity, and a need, to do more than tweak the system. We should be developing a coherent vision for what kind of a benefits system we want and start to build a path to get there. It is entirely feasible to simplify the benefits system, if there is the political will to do so.

6. Based on our research, we strongly recommend that the Department for Work and Pensions undertakes (or commissions) detailed modelling work to explore the likely impacts of creating a single out of work benefit for people of working age. Such a benefit would combine Job Seekers Allowance, Incapacity Benefit/Employment Support Allowance and Income Support.

7. David Freud highlighted certain advantages of a single benefit (2007: 101) in his review but there are many more. These include:
  — greater transparency leading to greater understanding of and support for the benefits system,
  — greater administrative simplicity,
  — the end of a system of categorising people according to a single characteristic such as lone parenthood and the introduction of a system centred on the citizen as an individual,
  — greater alignment of the benefits systems with employment support options.

8. David Freud’s Review also suggested that a single benefit, set at a single rate would be “very expensive” and may have adverse impacts on work incentives. This would only hold true if the core benefit was set at a level that is considerably higher than the current rate of Job Seekers Allowance. It would be possible to set the rate at a level that did not adversely affect work incentives (ie not considerably higher than JSA) by simultaneously making improvements to child and disability contingent measures such as tax credits and Disability Living Allowances.
9. In many respects the UK is an international leader in welfare reform. There are, nonetheless, lessons that can be learned from a small number of countries. The government of New Zealand has declared its intention to reform its system of out of work benefits so that there is a core working age benefit (see Economic Survey of New Zealand, OECD, 2005).

10. We would be happy to provide oral evidence to the Committee, when we are likely to have completed our study and be in a position to provide more details of our rationale, analysis and proposals for benefits simplification.

3 April 2007

Memorandum submitted by The Prince’s Trust

EXECUTIVE SUMMARY

1. In 2005–06 The Prince’s Trust supported 40,805 disadvantaged young people; 75% of them moved into employment, education or training. Despite such successful outcomes, the young people we support continue to face problems with benefits and many young people may not even seek our support as they fear they may lose their benefits.

2. The Trust would support a simplification of the benefits system which encourages young people to take part in employment related training whilst remaining on benefits.

3. The Prince’s Trust’s experience is that communication between executive agencies and claimants is inconsistent. This will often result in young people not joining a programme as they feel they will lose their benefits.

4. Those on Hardship Allowances to help with food and shelter lose this allowance for the week they are on a residential programme (details below)—this can result in them losing their accommodation, finding themselves homeless on returning from their week away.

5. Some young people on residential are unable to sign-on when they are away, even though they should be excused due to employment related training. This can affect their ability to fully complete a course and receive qualifications.

6. There is inconsistency of advice given to those on New Deal about recommending them for The Trust’s 12 week Team programme (details below). Some young people are asked to leave a Trust programme if, during the course of the programme, they are transferred from Job Seekers Allowance to the New Deal.

7. Many young people wanting to set up their own business with Prince’s Trust support immediately have their benefits stopped, therefore causing problems in the first few months of business where income is often non-existent. In some cases it can result in business failure and further dependence by the individual on the benefits system.

8. The Test Trading model which allows new business starts to remain on benefit for the first few months of trading is extremely beneficial for disadvantaged young people and should be more widely available, flexible and better communicated.

9. The Trust has much to offer those on incapacity benefit, particularly those with mental health problems, and can help them with the transition to work through practical confidence-building programmes.

THE PRINCE’S TRUST: AN INTRODUCTION

The Prince’s Trust is a charity that believes in young people who often don’t believe in themselves. We seek out those young people that need our help the most and work with young people who struggle at school, are in or leaving care, are long-term unemployed or have been in trouble with the law. We work with young people aged 14–30 to help them get back into work, education and training. The charity has helped over 550,000 young people since 1976 and continues to support 100 more every day.

In 2005–06 The Prince’s Trust supported 40,805 disadvantaged young people; 75% of them moved into employment, education or training. Young people on our programmes receive a variety of benefits including Job Seekers Allowance, Income Support, Incapacity Benefits and Severe Disablement Allowance. Many are also receiving Housing Benefits or a Hardship Allowance.

Many of the young people we work with are extremely vulnerable and often have low basic skills. The complexities and inconsistencies of the benefits system can cause serious distress at times of instability for young people, for example when they are leaving care or they are homeless. The Trust would support a simplification of the system which encourages young people to take part in programmes that help them towards employment, whilst remaining on benefits.

There are three core Trust programmes where young people’s benefits are most likely to be affected during the course of receiving Trust support, these are:
— The Team Programme: A 12 week personal development programme for 16–25 year olds, the majority unemployed, to develop their confidence, motivation and skills to help them find work. The programme is made up of various elements including a one-week residential, a community project and work experience. In 2005–06 8,802 took part in the programme in over 300 locations across the UK. 71% of unemployed participants find work or enter full time education or training after completing the programme.

— Get Into...: Offers unemployed 16–25 year olds an intensive training programme in a specific sector so that they can develop practical skills and move into employment in that area. Courses have included: Get Into Construction; retail; customer care; cooking; rural trades and more. At the end of the course The Trust invites possible employers for young people to meet, then offers follow up support to enable participants to get into a job in that sector.

— The Business Programme: Offers 18–30 year olds the opportunity to set up their own business with low interest loans, grants and mentoring support. Most are unemployed and have been refused funding by other sources. Since 1983 The Prince’s Trust has helped over 63,000 young people set up in business.

The Prince’s Trust has had a longstanding relationship with Jobcentres, particularly in relation to our Team programme (formerly called the Volunteers Programme). When New Deal was run contractually, The Prince’s Trust delivered New Deal contracts in certain regions of the UK. The Prince’s Trust and Jobcentre Plus are currently developing a more formal relationship, which we hope will enable more young people to take part in our programmes without their benefits being affected.

THE ISSUES

1. The Prince’s Trust’s experience is that communication between executive agencies, such as Jobcentre Plus, and claimants is inconsistent. This will often result in young people not joining a Trust programme as they feel they will lose their benefits.

2. Problems arise when Jobcentre Plus employees, including Personal Advisers, are not aware that young people’s benefits should not be affected when they participate in employment related training programmes, such as those run by The Prince’s Trust. There is inconsistent information available to Personal Advisers, for example some Jobcentres do not have The Prince’s Trust listed on their systems as employment related training.

3. There have been cases where young people are advised that they will lose their benefits by taking part in our Team programme. This can be rectified if the young person raises this with their Prince’s Trust Team Leader who can then issue a letter referring Personal Advisers to the relevant section of their Labour Market Conditions Guide. In some cases Team Leaders will also visit the Personal Advisers at the Jobcentre to argue the young person’s case. However, many young people may not have the confidence to discuss these issues and as a consequence never take up their place on the Team programme. This is clearly an unsatisfactory conclusion and a missed opportunity for them to move towards finding work.

4. The Hardship Allowance is stopped when a young person takes part in a residential (e.g. the second week of the Team programme). Young people receiving the Hardship Allowance lose their entitlement for the week they are away from home as their food and shelter is paid for by The Trust. This can be extremely unsettling for many young people, particularly those living in temporary accommodation, such as hostels, as it means they may lose their accommodation place and return from their week away to find themselves homeless. In addition, the process required to qualify for Hardship Allowance is lengthy and many young people may wish to avoid having to repeat the process on return from a residential. The potential to lose their Hardship Allowance will often put young people off signing up to a Trust programme and is once again a missed opportunity to take part in a course which will help them into education, training or employment.

5. Another problem that occurs whilst a young person is on a residential is their inability to sign-on as they are often miles away from home. The correct process is for the Jobcentre to excuse attendance because of employment related training when they can be treated as available and actively seeking work. Alternatively, some Jobcentres will allow the young person to sign-on by post. In reality, there is inconsistency in advice given to young people wanting to sign-on when they are away which often causes problems for individual claimants.

On one particular Trust course—“Get Into Construction”—young people need to attend all aspects of the course in order to gain the nationally recognised qualification—Construction Site Certification Scheme. Where young people leave the course to sign-on they are unable to complete the full course and therefore may not gain the qualification. This clearly acts as a disincentive for young people wanting to improve their skills and qualifications.

6. There is currently inconsistency around recommending young people on New Deal for The Trust’s Team programme. In some areas young people on New Deal are actively encouraged to join the programme as an employment related training opportunity, and in other areas they are advised not to.
7. Young people often experience difficulties whilst taking part in the Team programme if they are transferring from Job Seekers Allowance to the New Deal. There is inconsistency of advice from Personal Advisers about continuing on The Trust’s Team programme where some young people are encouraged to complete the 12 week programme and others are asked to leave. The current agreement between Jobcentre Plus and The Prince’s Trust is that Team members who have reached the end of week seven will be allowed to finish Team, however, this is often not applied and there are examples where young people have already completed 10 weeks of the Team programme but are still asked to withdraw.

8. Young people wanting to set up a business with Prince’s Trust support often lose their benefits when they start setting up their business. The first few months of starting a business can be a particularly difficult period when they may be receiving no income from the start-up to cover living costs. As a result of losing their benefit, many young people are forced to take up a different job in order to survive, thereby risking the success of their own enterprise. This can result in business failure, thereby lengthening the young person’s dependence on the benefits system.

In some circumstances Personal Advisers are putting pressure on young people to find work, even when they are aware that the individual is already working with The Prince’s Trust on starting up their own business.

9. There is, however, a Test Trading model where entrepreneurs are permitted to stay on benefits for the first six months to “test trade” their business. This is clearly of great benefit to disadvantaged young people and gives them enough time to assess the viability of running their own business.

There are, however, complications with this system which affect families, including lone parents, who are on Income Support. In many cases they are advised to move from Income Support onto Working Tax Credits and Child Tax Credits. Due to the complexities of the system and reporting mechanisms, there is a perception that they will be worse off by starting up a new business. There clearly needs to be better communication of how the test trading model works to would-be entrepreneurs.

Businesses who are still claiming benefit are also not entitled to other start-up support so their business could be under-funded. There are also strict time limits on writing a business plan and starting to test trade. In some cases young people are not ready to start trading but are forced to do so in order to claim this benefit. This can sometimes lead to business failure.

10. Incapacity benefit reform: With Government targets to move one million people off incapacity benefit (there are currently twice as many under-25s on incapacity benefits as on New Deal—159,000 compared with 70,850) the Trust is well positioned to assist with this target. 39% of those on incapacity benefit have mental health or behavioural problems, reflecting many of the young people The Trust supports. Young people with mental health problems need in-depth, multi-agency support, including practical personal development programmes. Recent Prince’s Trust research showed that two in five unemployed young people were unhappy or depressed with half citing stress, boredom and depression as the main reason for drug misuse or drinking alcohol. Those on Prince’s Trust courses, designed to improve confidence and practical skills, were 40% more likely to be motivated for work and, in turn, feel more responsible for their health. The Trust clearly has a key role to play as part of the package of support for those with mental health problems.

Better understanding about how The Trust can prepare those with mental health problems and other disabilities for work through confidence-building and motivation is required by Jobcentre staff. One solution would be for The Trust to be listed as an option under Pathways to Work.

11. There are ad hoc bridging benefits and discretionary funds to help with housing for 16–17 year olds first starting work. However, this is not widely available and some young people find it very difficult to accept a job offer when for the first month they will have no money coming in at all. This immediate pressure and lack of income can be a disincentive to employment.

12. With such positive outcomes on Trust programmes (75% of all the young people we supported in 2005–06 moved into employment, education or training) it is a shame that so many young people do not feel able to join programmes as they are concerned about the effect it will have on their benefits. The Trust is clearly supporting Government welfare reform targets through its work with disadvantaged young people, including lone parents and those with disabilities, and a simplification of the benefits system could help more young people with the transition from benefit to work.

13. All Prince’s Trust programmes can help move young people towards work. The current communication problems and inconsistencies outlined above often result in a disincentive in getting disadvantaged young people into work.


Work and Pensions Committee: Evidence

**Ev 97**

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**Case Studies: NB: Names have been changed**

**John—aged 23**

John was referred onto The Trust’s Team Programme by his JSA Adviser. John has learning difficulties, is dyslexic and has no qualifications. He received a letter in Week 5 of the Team Programme, telling him to attend an initial interview with his New Deal Adviser, who told him he would need to leave Team to take up a New Deal option.

John got very upset as Team is the first thing he has done that has worked for him. He has tried New Deal courses in the past, but due to his learning difficulties had really struggled. Team had offered him a chance to succeed and he was doing well.

The Trust’s Team Leader intervened and spoke to the New Deal Manager, who insisted that John must leave Team and get a job—otherwise his benefit would be stopped. The Team Leader felt that the Jobcentre staff hadn’t picked up that John’s learning difficulties were a potential barrier to him moving forward.

Following further intervention by the Team Leader, John has now been referred to a Disability Adviser who has a far more flexible approach, and John has been allowed to stay on Team. Without the persistence of The Trust’s Team Leader, John would not have had such a positive outcome.

**Lucy—aged 19**

Lucy was referred onto The Trust’s Team Programme by her JSA Adviser. During week six of the programme she was invited to a New Deal interview where she was told that she needed to leave Team and take up a New Deal option or get a job.

The Trust’s Team Leader explained that she was doing really well on Team and that a work placement had been arranged with a local newspaper. Lucy’s hobby is photography and she is doing evening classes to improve her skills and gain qualifications. The local paper had never offered placements previously, but were so impressed by Lucy’s work folder, and the fact that she is serious about making photography her future career, they agreed for her to spend two weeks with their photographers, going out on assignments.

The Jobcentre had put Lucy’s career options down as retail only. The case continues.

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**RECOMMENDATIONS TO COMMITTEE FOR INCLUSION IN ITS REPORT**

1. All agency workers should have access to a consistent up-to-date system providing information on opportunities available to claimants, particularly those run by the voluntary sector, which help young people move into work. This will ensure consistent advice is given.

2. Young people taking part in employment related training, such as The Trust’s Team programme, should not have their benefits taken away from them during the course.

3. Agency workers should be better trained on how Trust programmes can help those with mental health problems on incapacity benefit move into work. Voluntary organisations working in this area should be considered for signposting under Pathways to Work.

4. Hardship Allowances should not be stopped for young people taking part in one week residential which are part of employment related training.

5. Agency workers should be consistently trained to allow young people to be excused from signing on when they go on a residential as part of employment related training.

6. Benefits should continue to be available in the first six months for business start-ups. The test trading model is a step in the right direction but needs to be better communicated and more flexible.

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**Memorandum submitted by Judy Scott**

1. **SUMMARY**

   1.1 Incapacity based benefit rules can either deter or promote part-time working. Encouraging work related activity is a key element of DWP plans for the Welfare Reforms and so it was hoped that measures to promote part-time work would be included in the Welfare Reform Bill.

   1.2 DWP research on Permitted Work has found that people who earned and worked for just under 16 hours a week during their claim were most likely to move off benefits altogether and into employment. This may be because they had a financial cushion such as a partner in work or it may have been because this is the only group that are currently able to work for just under 16 hours a week without having their benefits reduced as a result.

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1.3 DWP have recently advised that the introduction of Employment and Support Allowance (ESA) will bring a welcome change for those on the income based strand, raising the earnings disregard from £20 to £86 a week for one year only, promoting part-time paid work to just under 16 hours a week for the above group, without benefit reductions.

1.4 However, for up to one and a half million claimants who will claim ESA contributory strand and who have housing costs, the earning disregard is to stay at £20 a week. The rules applied to Incapacity Benefit are to be duplicated in ESA. Only the better off group who have no housing costs, will be able to earn and keep up to £86 a week. The majority whose benefits would be reduced if they earned up to £86, are likely to do as now and not attempt to earn above £20 a week. Government plans to provide stepping stones into work will be undermined by failure to address this matter for very large numbers of claimants.

1.5 People with severe disability may also lose out. DWP appear to be planning to abolish the non-time limited options in Permitted Work for ESA claimants. Those with the most severe health conditions or limiting disability will like others be subject to the one year limit on earning up to £86 a week if they are in receipt of income based ESA (but not contributory ESA). This will impact on people whose health or disability make a move into work within one year impossible. People with a relapsing condition that precludes consistent part-time work may only be able to use part of alternate years to take up opportunities and will be disadvantaged further.

1.6 If the non-time limited options are abolished for people in receipt of ESA, government policy for public participation and involvement will be impeded to an even greater extent than occurs now. Public authorities have a statutory responsibility to involve people who use health and social care services. Many of the people who public authorities ask to advise on their experience of using services, have severe ill-health or significant levels of disability and so are in receipt of benefits. Involvement is usually intermittent and may be as little as a couple of hours a week for the duration of a steering group over a few months; it may be monthly or quarterly meetings. There are no fixed patterns but involvement is never for 52 weeks a year. If the non-time limited options for payment are abolished people will be prevented from participating in alternate years although they were involved and paid for just a few hours in the year that the earnings rule applied.

1.7 These proposals are not yet fixed in law, and DWP have agreed to consult with interested stakeholders.

2. Chart showing comparative benefit rules on part-time paid work during a claim to benefits

<table>
<thead>
<tr>
<th>Current system for incapacity based benefits</th>
<th>Employment and Support Allowance proposed rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Incapacity Benefit, Severe Disablement Allowance, Income Support for incapacity)</td>
<td>ESA work related and support group contributory only (no housing costs).</td>
</tr>
<tr>
<td>2.1 Incapacity Benefit only (no housing costs). Earn up to £20 a week or earn up to £86 (no deductions):</td>
<td>Earn up to £20 a week or earn up to £86 one year only (no deductions).</td>
</tr>
<tr>
<td>— Permitted Work one year only, or</td>
<td>ESA work related and support group contributory with Housing Benefit and Council Tax Benefit.</td>
</tr>
<tr>
<td>— Supported Permitted Work no time limit, or</td>
<td>Earn up to £20 or earn up to £86 one year only (but deductions of 65p off HB and 20p off CTB on earnings over £20).</td>
</tr>
<tr>
<td>— Permitted Work exempt no time limit.</td>
<td></td>
</tr>
<tr>
<td>2.2 Incapacity Benefit with Housing Benefit and Council Tax Benefit. Earn up to £20 a week or earn up to £86 (but deductions of 65p off HB and 20p off CTB on earnings over £20):</td>
<td></td>
</tr>
<tr>
<td>— Permitted Work one year, or</td>
<td></td>
</tr>
<tr>
<td>— Supported Permitted Work no time limit, or</td>
<td></td>
</tr>
<tr>
<td>— Permitted Work exempt no time limit.</td>
<td></td>
</tr>
<tr>
<td>2.3 Severe Disablement Allowance only (no Income Support). Earn up to £20 a week or earn up to £86 (no deductions):</td>
<td></td>
</tr>
<tr>
<td>— Permitted Work one year only, or</td>
<td></td>
</tr>
<tr>
<td>— Supported Permitted Work no time limit, or</td>
<td></td>
</tr>
<tr>
<td>— Permitted Work exempt no time limit.</td>
<td></td>
</tr>
<tr>
<td>2.4 Severe Disablement Allowance with Income Support.</td>
<td></td>
</tr>
</tbody>
</table>
## Current system for incapacity based benefits

*(Incapacity Benefit, Severe Disablement Allowance, Income Support for incapacity)*

<table>
<thead>
<tr>
<th>Earn up to £20 a week or earn up to £86 (but deductions from IS £ for £ on earnings over £20):</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>— Permitted Work one year, or</em></td>
</tr>
<tr>
<td><em>— Supported Permitted Work no time limit,</em></td>
</tr>
<tr>
<td><em>— Permitted Work exempt no time limit.</em></td>
</tr>
</tbody>
</table>

### 2.5 Severe Disablement Allowance with Income Support and Housing Benefit and Council Tax Benefit.

Earn up to £20 a week or earn up to £86 (but deductions from IS £ for £ on earnings over £20 and when IS is nil, deductions of 65p off HB and 20p off CTB on earnings over £20):

| — Permitted Work one year, or |
| — Supported Permitted Work no time limit, or |
| — Permitted Work exempt no time limit. |

### 2.6 Income Support for incapacity first year.

Earn up to £5 a week.

### 2.7 Income Support with a disability premium (after one year or if receiving DLA)

Earn up to £20 a week or earn up to £86 (but deductions from IS £ for £ on earnings over £20):

| — Permitted Work one year, or |
| — Supported Permitted Work no time limit, or |
| — Permitted Work exempt no time limit. |

### 2.8 Income Support with a disability premium (after one year or if receiving DLA) and Housing Benefit and Council Tax Benefit.

Earn up to £20 a week or earn up to £86 (deductions from IS £ for £ on earnings over £20) (HB and CTB cannot be affected as when £66 is deducted from IS the earning limit is reached) in:

| — Permitted Work one year, or |
| — Supported Permitted Work no time limit, or |
| — Permitted Work exempt no time limit. |

## Employment and Support Allowance

*proposed rules*

<table>
<thead>
<tr>
<th>ESA work related and support group income based only (no housing costs) (possibly from day one?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earn up to £86 (no deductions) for one year only.</td>
</tr>
</tbody>
</table>

| ESA work related and support group income based with Housing Benefit and Council Tax Benefit. Earn up to £86 (no deductions) for one year only. |

### 3. Implications of Proposals for ESA and Part-time Earnings

3.1 People who will claim the contributory ESA will have earnings over £20 a week deducted from benefits if they claim for housing costs. This is unfair.

3.1.1 People who do not have housing costs or who claim income based ESA will be able to earn and keep £86 a week (no benefit deductions).

3.1.2 People who claim contributory ESA will be allowed to earn £86 a week for one year but they can only keep the full amount of their earnings if they have no housing costs. This can occur if a person has a partner in work or if they have a private income or if they own their own home outright. This group are better off than others on benefits.

3.1.3 People who claim contributory ESA must, if they have housing costs, declare their earnings to Housing Benefit (or the Local Housing Allowance) and to Council Tax Benefit. They will lose 85p in the £ on earnings over £20 a week through the reduction of their housing cost benefits.

3.1.4 Anecdotal evidence is that people choose to keep their earnings under the disregard limit of £20 a week rather than interfere with benefit continuity. When there are changes to payment of benefits there is a risk of maladministration and the process of getting benefit continuity reinstated can take months. The only exception to this practice is where some people with a learning difficulty in local authority funded day services are persuaded by professionals to accept the reductions.
3.1.5 Earnings of up to £20 even at the minimum wage rate allow just three and a half hours paid work a week. Most large employers require a minimum shift of 7 hours a week from part-time workers. This benefit rule excludes people from getting a part-time foothold in the labour market. The only paid work that is available for three and a half hours a week is generally within a workshop setting for disabled people. These settings are now known to institutionalise people in the same way that psychiatric hospitals did.

3.1.6 About 1.5 million people claim Incapacity Benefit that is a contributory and about 1.1 million people claim Income Support for disability that is income based. If this proportion is replicated in ESA, eventually up to 1.5 million claimants on contributory ESA (who have housing costs) will not use this opportunity to earn up to £86 and therefore maintain contact with the labour market or develop the self-belief to move from benefits into work. Evidence suggests that this may prove a costly mistake.

3.2 People on income based ESA will be allowed to earn and keep £86 a week whether or not they claim for housing costs, for one year.

3.2.1 The welcome news is that people who claim income based ESA will be afforded a much better opportunity of moving towards work than has previously been the case for those on Income Support with a disability premium. This is providing that they can achieve this in one year. If they do not get a job at the end of the year they must stop working for a year before they are allowed to try again.

3.2.2 A blanket rule of this type seems to be an unhelpful plan for getting people into jobs. If there were flexibility in the system that was managed by the Personal Adviser this might be a more sensible approach.

3.2.3 The rigid time limit may have been dictated by assumptions to do with differentials between income on benefits and income off benefits in work and personal motivation. This area deserves further exploration.

3.3 DWP is considering abolishing Supported Permitted Work and Permitted Work PCA exempt, for ESA.

3.3.1 Supported Permitted Work and Permitted Work PCA exempt allow earnings up to £86 a week without time limit. These options are generally used by people with more severe health conditions and more limiting disability because of the conditions: a support worker must sign the official form and commit to providing regular support for Supported Permitted Work; Permitted Work PCA exempt was recently introduced for people whose condition is such that no medical tests are required. These options are generally taken up by the “better off on benefits group” who claim Incapacity Benefit or Severe Disablement Allowance that are contributory non-means tested benefits and who have no housing costs because of a partner who is in work or because of a private income. This is because others with means tested benefits tend to keep earnings to the £20 limit so as to avoid disrupting benefit continuity.

3.3.2 The option of non-time limited earnings is extremely important to people with long-term fluctuating conditions such as the more severe forms of mental illness. People with a fluctuating condition may take one step forwards towards work only to relapse and find themselves three steps back. Many people have to live with the lifelong expectation of relapses that at the best, with care and treatment, can be reduced in severity and duration and lessened in frequency.

3.3.3 The option of non-time limited earnings is also extremely important for public participation/involvement. As has previously been mentioned, public authorities have a statutory responsibility to involve people who use health and social care services in the design and planning of these services. The legislation was introduced in 2001 with the Health and Social Care Act Section 11. “Requirements for Social Work Training” issued in 2002 which underpin the new social work degree, specifies that service users and carers must be involved in all parts of the design and delivery of social work education and training. The Disability Equality Duty came into effect December 2006. This new legal duty requires public authorities to actively look at ways of ensuring disabled people are treated equally. There is a general duty on local authorities, government departments, health trusts, governing bodies of colleges and universities and others to produce a Disability Equality Scheme, which centrally includes the involvement of disabled people. Public authorities cannot arrange their involvement around alternate years. It is impractical. Ongoing arrangements are essential.

3.3.4 Work is known to be beneficial for mental health, and for many people with mental illness, work is seen as a target—an aim towards which many people aspire. A part-time Permitted Work job is often seen as a lifeline, and as an alternative to complete unemployment and inactivity, where ambitions for full-time work are not realised.

3.3.5 The combined impact of mental health problems and employer prejudice currently mean that about 80% of people with a mental health problem do not compete successfully for jobs and do not achieve a stability in their mental health that allows them to work more than 16 hours a week, all year round. It is hoped that welfare reforms will allow many more people with mental health problems to move into employment but it is early days.
3.3.5 Research into the outcomes in the Pathways to Work Programme demonstrated that virtually none of those with mental health problems succeeded in getting employment. This was despite the increased level of successful job entry of other groups with other health conditions or forms of disability.

3.3.6 DWP are focusing on benefit rules that are believed to encourage people into employment. There are no measures in the benefit rules in ESA to address the circumstances of those with a greater level of disadvantage who are unlikely to get a job as a result of short-term programme.

3.3.7 If plans are successful and numbers of people in receipt of incapacity benefits are reduced by one million, that leaves 1.7 million people who because of ill-health or disability may be receipt of ESA. These people have to live their life as best they may on a very low level of income from benefits. It seems cruel and unnecessary to impose restrictions that limit part-time paid work as and when health allows to alternate earning years. This proposal to time limit part-time work will if implemented, damage mental health, corrode self-belief and lessen the chances of eventual employment.

4. What is the Reasoning that Led to the Decision on Allowing Part-time Earnings of up to £86 a Week for One Group but a Disregard of £20 a Week for the Other Group?

4.1.1 DWP have indicated that the reasoning for the decision to raise the disregard limit to £86 in ESA income based but not to do the same for those on ESA contributory based who have housing costs lies with three issues:

| Operation of the existing benefit system | wanting to ensure that the differential between benefits income and in-work income plus tax credits is not removed; and  |
| — the desire to ensure that the differential between benefits income and in-work income plus tax credits is not removed; and  |
| — to avoid increased costs that would be caused by ensuring that a greater proportion of Working Tax Credit may be retained by the person in employment income and is not taken away by reductions to Housing Benefit and Council Tax Credit.  |

4.1.2 ESA income based is based on Income Support with a disability premium. Raising the disregard to £86 a week for one year is deemed to cost very little as it is thought that most people do not earn over the disregard and have their benefit reduced.

4.1.3 ESA contributory based is based on Incapacity Benefit that is non-means tested. The earnings limit is now £86 a week. But for those who claim Housing Benefit and Council Tax Benefit as well as Incapacity Benefit, there is an earning disregard of £20 a week. As ESA contributory based is non-means tested it is not affected by earnings although a limit is imposed of £86. But Housing Benefit and Council Tax Benefit are means tested, and the earnings disregard is £20 a week.

4.1.4 Housing Benefit and Council Tax Benefit are available to people who are in work but on a low wage. In the current system these are withdrawn when a single disabled person has earnings, minus tax and NI, plus Working Tax Credit, that exceed the threshold of £116.85 a week (2006–07 rate). About half of the amount of Working Tax Credit that is paid by HMRC is taken away by tapers of Housing Benefit and Council Tax Credit.

4.2 Chart: Comparative benefit and earnings that are retained after housing costs for people who are in receipt of incapacity based benefits (Incapacity Benefit, Severe Disablement Allowance, Income Support for incapacity) (2006–07 rates)

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Benefit Rates</th>
<th>Earning disregard if in receipt of Income Support</th>
<th>Earning disregard if in receipt of Housing Benefit and Council Tax Benefit</th>
<th>Permitted Work rules allow earnings £86 a week but means tested benefits are reduced</th>
<th>Income from benefits plus earnings after reductions and housing costs</th>
<th>Choice made by those claimants whose health/disability/skills allow</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Support with disability premium</td>
<td>£81.95</td>
<td>£20.00 for IS</td>
<td>n/a</td>
<td>IS is reduced by £66.00</td>
<td>£101.95 for one year only, or non-time limited Supported Permitted Work, or Permitted Work PCA exempt</td>
<td>Earn up to £20 a week to prevent disrupting benefits</td>
<td></td>
</tr>
<tr>
<td>Incapacity Benefit (if first started claim before 35 yrs)</td>
<td>£95.00</td>
<td>£20.00 therefore threshold £115.00 (IF + £20)</td>
<td>£20.00 therefore threshold £115.00 (IF + £20)</td>
<td>HB is reduced by 65% CTB by 20% Total £67.19</td>
<td>£113.81 for one year only, or non-time limited Supported Permitted Work or Permitted Work PCA</td>
<td>Earn up to £20 a week to prevent disrupting benefits</td>
<td></td>
</tr>
</tbody>
</table>

5 Pathways to Work Outcomes Chart page 64.
Ev 102 Work and Pensions Committee: Evidence

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Benefit Rates</th>
<th>Earning disregard if in receipt of Income Support</th>
<th>Earning disregard if in receipt of Housing Benefit and Council Tax Benefit</th>
<th>Permitted Work rules allow earnings £86 a week but means tested benefits are reduced</th>
<th>Income from benefits plus earnings after reductions and housing costs</th>
<th>Choice made by those claimants whose health/disability/skills allow</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incapacity Benefit (over 35 first claim)</td>
<td>£95.00</td>
<td>n/a</td>
<td>n/a</td>
<td>No reductions</td>
<td>exempt</td>
<td>£181.00 for one year only, or non-time limited</td>
<td>Earn up to £86 a week</td>
</tr>
<tr>
<td>Living with a partner or private income so no HB or CTB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.3 Chart: Comparative benefit and earnings that are retained after housing costs during a claim to Employment and Support Allowance as currently proposed (2006–07)

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Benefit Rates not known (presume same as IS now)</th>
<th>Earning disregard if in receipt of ESA income based</th>
<th>Earning disregard if in receipt of ESA</th>
<th>IF earn £86 a week</th>
<th>Income from benefits plus earnings after reductions and housing costs</th>
<th>Probability choice of claimants whose health/disability/skills allow</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESA income based</td>
<td>£81.95</td>
<td>£86.00 for ESA income based</td>
<td>n/a</td>
<td>ESA</td>
<td>£167.95 for one year only</td>
<td>Earn up to £86 a week</td>
<td>?</td>
</tr>
<tr>
<td>ESA Contributory</td>
<td>£81.95</td>
<td>n/a</td>
<td>£20 and therefore threshold £101.95 (ESA + £20)</td>
<td>HB is reduced by 65% CTB by 20% Total £56.10</td>
<td>£111.85 for one year only</td>
<td>Earn up to £20 a week to prevent disrupting benefits</td>
<td>Earn up to £86 a week</td>
</tr>
<tr>
<td>ESA Contributory Living with a partner or private income so no HB or CTB</td>
<td>£81.95</td>
<td>n/a</td>
<td>No reductions</td>
<td>£167.95 for one year only</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4 Chart: Take home income after housing costs for a single disabled person off incapacity benefits and into employment at 16 hours a week with Working Tax Credit and reducing amounts of housing benefits 2006–07 rates

Assume:
Rent £67.47 
Council Tax £14.24

<table>
<thead>
<tr>
<th>Wage gross @ minimum wage</th>
<th>− Tax</th>
<th>− NI</th>
<th>+ WTC</th>
<th>Income Before Housing costs</th>
<th>HB Reduced By</th>
<th>CTB Reduced by</th>
<th>Net income after housing costs</th>
<th>+ Credit for one year if applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>£85.60 (16 hrs)</td>
<td>n/a</td>
<td>n/a</td>
<td>£74.80</td>
<td>£160.40</td>
<td>£28.30</td>
<td>£8.71</td>
<td>£123.39</td>
<td>£40</td>
</tr>
<tr>
<td>£107.00 (20 hrs)</td>
<td>£1.02</td>
<td>£1.10</td>
<td>£72.35</td>
<td>£177.23</td>
<td>£39.24</td>
<td>£12.07</td>
<td>£125.91</td>
<td>£40</td>
</tr>
<tr>
<td>£155.15 (29 hrs)</td>
<td>£7.86</td>
<td>£6.40</td>
<td>£54.54</td>
<td>£195.43</td>
<td>£51.07</td>
<td>£14.24</td>
<td>£130.12</td>
<td>£40</td>
</tr>
<tr>
<td>£197.95 (37 hrs)</td>
<td>£17.28</td>
<td>£11.10</td>
<td>£51.78</td>
<td>£221.35</td>
<td>£67.47</td>
<td>£14.24</td>
<td>£139.64</td>
<td>£40</td>
</tr>
</tbody>
</table>

4.4.1 The above chart on the tax/benefit deduction rates demonstrates how about half of the amount of Working Tax Credit provided by HMRC is taken away through Housing and Council Tax Benefit tapers.

4.4.2 A single disabled person who is encouraged to enter employment will not lever themself out of poverty unless their earnings take them out of this poverty trap of reliance on Working Tax Credit and housing cost benefits altogether.

4.4.3 The additional Credit of £40 a week for one year (only for those who qualify), is not subject to tapers of any kind. As a result when the Credit ends the following year the person in employment will have to treble their salary to achieve a take home income equivalent to the first year.

4.4.4 Median poverty levels for a single person 2004–05 after housing costs were found to be £186 a week.

4.4.5 People with a disability who manage to obtain employment are not necessarily moving out of poverty if their earning power is low. They must increase their earning power and work full-time in order to attain a standard of living above the poverty line.
5. **Targets for Benefit Simplification of Part-time Earnings for People with Ill-health or Disability**

5.1 **Some Aims**

1. Introduce equity of opportunity between benefit claimants: all claiming benefit because of ill-health to be allowed to do some part-time paid work without affecting benefits.

2. Set the number of hours allowed for part-time paid work just below the number of hours required to move off benefits and to receive Working Tax Credit, giving a smaller step to take between the current 3.5 hrs work on benefits and 16 hours work to qualify for Working Tax Credit in employment.
   - ie up to 15 hours if Tax Credit available at 16 hours; and
   - ie up to 11 hours if Tax Credit is made available at 12 hours.

3. Set an appropriate duration of the part-time paid work that is allowed according to individual circumstances relating to health and disability.

4. Allow people with long-term health problems to become involved in public participation schemes with an annual earnings limit (rather than weekly).

5. Introduce equity of tax/benefit deduction rates with taxation rates for the lowest paid. Ensure that full-time employment at the minimum wage provides a take home income of above the poverty level, after housing costs.

5.2 **Costs of Achieving Aims**

5.2.1 Potential savings gained from people moving into work must be set against potential costs but there is insufficient data to do this at present.

5.2.2 DWP research of Permitted Work rules found that people using the Permitted Work, higher level, who moved successfully into work, were those with a partner in work or with some financial cushion. Those of this group who claimed a non-means tested benefit only (IB or SDA) are the only people who have been able to earn and keep the full amount allowed by Permitted Work rules of £86 a week.

5.2.3 This group moved into employment off benefits despite a probable drop in income of at least £80 a week if they started at a low wage rate. The research was not sufficiently detailed to ascertain whether this was in fact the case and if so which factors caused these outcomes.

5.2.4 The supposed cost of allowing earnings of up to £86 a week for people on benefits is based on the expectation that it is the in-work income differential that motivates people to move from benefits into work.

5.2.5 As can be seen above the differential is small in the current system and where there are in-work costs such as travel the differential may be nil. The tax/benefit marginal deduction rate is not based on encouraging people to work longer hours and to earn more money as virtually all of the increases of income are clawed back. This claw back rate has not been flagged up as a disincentive to work.

5.2.6 Many factors lead to some people getting work while others do not and spend a lifetime on benefits. Research evidence on the employment rates of people who have mental health problems has found that diagnosis or severity of the condition does not predict who will and who will not get a job. The only factor that was found to predict a likely move into employment or not, was the level of self-efficacy or self-belief of the person concerned.\(^6\) It may not be coincidental that holding down a part-time job is likely to raise a person’s level of self-belief.

5.2.7 If the benefit rules that limit earnings to 3.5 hours a week are responsible for preventing people from moving into work these are very expensive rules indeed.

5.2.8 At this time of reform there are powerful reasons to pilot different ways of supporting people into work, and for costing the implications.

4 April 2007

\(^6\) *Sheep and goats: thinking on employability* Bob Grove and Helen Membrey.
Memorandum submitted by Hertfordshire County Council (Money Advice Unit)

1. INTRODUCTION

This submission is being made by Gary Vaux, Head of Advice (Benefits and Work) at Hertfordshire County Council. I have 29 years experience in advice work, write for Community Care magazine and chair the Local Government Association’s social security advisers group.

I currently work in a local authority unit that conducts large scale take up campaigns with targeted groups like the elderly, people with disabilities, carers, and families of children with disabilities. The unit also provides a comprehensive training programme on benefits and debt to staff and volunteers, including local CAB, and a daily welfare benefits advice line.

2. SUMMARY

The current benefit system that has grown up since Beveridge demonstrates the following features:

— the system retains inherent features which act as a disincentive to work;
— there are complicated interactions between benefits for young persons and family benefits;
— there is a lack of smooth transition between benefits due to administrative problems and poor communication between different parts of the system; and
— there is a complex interplay between benefits but the current organisation of administration mean that systems and staff often do not recognise these.

3. CONSEQUENCES OF THE CURRENT SYSTEM ON INCENTIVES AND DISENCEINTIVES TO WORK

3.1 My unit provides “better off” calculations to clients of Work Solutions, a county council organisation which provides back-to-work advice to lone parents and people with disabilities. The unit also participated recently in an ESF-funded project providing benefits advice to carers who wanted to return to work. The project found that the complexity of the benefits system and the disincentives built into the various benefits were major obstacles in returning to work for some people, particularly carers. The following case study from April 2006 helps to illustrate these points.

3.2 The carer, aged 39, lives with her partner of the same age who gets DLA “middle rate” care and “lower rate” mobility component. They have two children aged four and eight. Their eligible rent is £73.33 per week and council tax £21 per week. The carer currently works four hours a week at £5.05 per hour (National Minimum Wage at the time). They also receive income support, child benefit, child tax credit, carer’s allowance, housing benefit and council tax benefit.

Carer wanted to increase her hours of work. Better off calculations (see appendix 1) show that the family income would be as follows:

— Working 4 hours £431.29.
— Working 15 hours £431.29.
— Working 16 hours £446.94.
— Working 20 hours £420.40.

Illustrates following disincentives:

— earnings disregard on income support;
— earnings limit on carer’s allowance and loss of carer premium;
— working tax credit (WTC)—no incentives for carers eg carer element, disregard of carer’s allowance etc; and
— restrictive free school meals rules.

There is very little incentive for the client to increase her hours. If she works 15 hours, she will be no better off as only £20 is disregarded from her income support, so she loses all the extra earnings. If she works 16 hours she will be only £15.65 better off. If she increases to 20 hours she will be at least £10.89 worse off. This is partly accounted for by the loss of carer premium and the lack of any extra payment for carers in tax credits. She will also lose entitlement to free school meals for her children in the 16 and 20 hour scenarios.

3.3 Tax Credits remunerative work rule

The 30 hour rule for those without children, or a disability, or aged 50+, means that certain people who can only work part time are excluded from WTC support. Carers without children who wish to take part time work to help balance caring and work responsibilities cannot access WTC unless they work 30 or more hours a week.
Illustrates: disincentive for certain carers to undertake part time work of between 16–30 hours.

4. **Complicated Interactions between Parents’ Benefits and Young Persons’ Benefits**

The following case studies demonstrate the complexity of the current benefits landscape, particularly the interrelationship of family and young persons’ benefits.

4.1 Single parent, cares for two disabled teenage boys, aged 18 and 19, both with learning difficulties. She is the appointee for them and gets carers allowance and income support (IS). The boys get DLA and incapacity benefit (IB(Y)). When the sons had been on IB(Y) for 28 weeks, they went on to the short term higher rate of £70.05 per week, which was 5 pence per week more than the £70.00 per week IS level. As they were floated off IS, they both counted as non-dependants for housing benefit (HB), and client’s HB claim attracted two non-dependant deductions. The sons gained 10 pence per week IB(Y) and the client lost £14.80 per week on HB. Our intervention managed to get client a Discretionary Housing Payment from the LA, but this is not a right, is difficult to get and needs to be reclaimed periodically.

4.2 Client cares for her daughter, aged 17, who gets DLA for mental health problems. Her partner and a dependant son are also at home. The daughter claimed IS and IB(Y) on her 16th birthday. There were huge delays and problems in getting payment. She finally got IB, but the family was actually worse off overall due to loss of child benefit and child tax credit.

When IB(Y) was claimed initially it was disallowed in error but paid after appeal. This took until August 2006. As soon as the mother got notice of the IB(Y) award, she contacted the tax credit office. They ceased payments of tax credits and said she should have informed them in June at the daughter’s 16th birthday. They backdated the change to June and created a large overpayment.

4.3 Young man of 16 leaves school at end of June 2007, the official school leaving-date. His parents are entitled to child benefit for him until 31 August 2007, the normal “terminal date” for summer school-leavers. If he doesn’t obtain a job or training place by 31 August, child benefit can be extended for up to 20 weeks from the date he ceased education, which logically should be the day he can leave school, so long as he registers for work or training with Connexions and the Jobcentre. This is to ensure that families do not suffer hardship in these circumstances.

However, guidance from Revenue and Customs says that the 20 weeks extension period begins when the child ceases education. If he was excluded from school at Easter 2007, Revenue and Customs would say that he ceased education in April 2007. Counting 20 weeks from then means that his “extension period” would actually end before the normal child benefit period has ended. So the family receive no child benefit after 31 August.

The same rule applies if the young person has to live independently of his family, when job seekers allowance is due during the child benefit extension period. Revenue and Customs guidance is followed by the DWP, so the young person will be denied JSA because his extension period will have expired before he has even officially left school.

Illustrates:

(a) complicated interaction between parent’s CTC and income support and young person claiming benefit in their own right. It is very difficult for low income people to work out if they are better off in short or long term.

(b) overpayment of CTC built into the system and lack of facility for offsetting young person’s IB award against Tax Credits.

(c) lack of liaison between Revenue and Customs and the DWP over child benefit extension periods, and a lack of understanding of the impact of rule changes.

5. **Lack of Smooth Transition Between Benefits**

The following is an example of the delay people experience when trying to move from one earnings-replacement benefit to another.

5.1 Client, on income-based JSA, looking for work when his elderly mother’s health deteriorated to the extent that he had full time caring responsibilities. He was advised to claim income support and carers allowance via the Jobcentre Plus contact centre. Once he did this, his JSA immediately stopped. Client was left without money for two months due to backlog at processing centre and was extremely frustrated due to difficulties trying to get through to the Benefit Delivery Centre (BDC) to find out what had gone wrong. Situation only finally resolved with assistance from a welfare rights adviser with direct access to BDC and knowledge of the need to liaise between three benefit departments.
Illustrates: problems of communication and delivery between different benefit offices.

6. **Complex Interplay between Benefits**

The following examples show the problems of delivery and interplay of different types of benefits and tax credits.

6.1 Client with partner and three dependent children—off sick from work to receive cancer treatment. He gets SSP for the first 28 weeks and then applies for incapacity benefit and income support. He had notified tax credit office when he first went off sick but was unable to accurately estimate his new reduced annual income for the rest of the tax year as his prognosis was unclear. Payment of WTC continued erroneously after 28 weeks as he did not realise that, at this point, he ceased to be treated as in full time remunerative work and needed to contact the TCO again. This WTC income disentitles him to IS and is taken into account for HB/CTB. WTC is eventually stopped, and TCO start recovering “in year overpayment” from CTC. Claimant needs to claim IS again and notify HB of change of circumstances. At the end of the tax year there was not such a large overpayment once actual income figure was taken into account.

Illustrates: complex interplay between tax credits, contributory and means tested benefits which often means that people no longer get the correct amount of money when they need it. Tax credits situation may be rectified later on by tax credit office but people on low income need to get correct payments at correct time. HB can be based on a tax credit figure which subsequently can be changed and recovered.

6.2 New four week “run-on” of WTC when a claimant moves from work to unemployment appears, at first sight, a positive step. However, it could cause problems for income support/JSA claimants who might find that the WTC they continue to get for four weeks will bar them from claiming those benefits for those weeks. This will affect certain client groups in particular—for example, lone parents may be getting a substantial WTC payment, especially if it includes child care costs. If they give up work and claim IS, their IS personal allowance will not include the elements for children so the WTC may be high enough to bar them from claiming. This then affects their right to free school meals, social fund payments and possibly prescriptions. Housing and council tax benefit, which will already need recalculation for the loss of wages, will need to be reassessed for the four week period when the only income is WTC and again when the income support kicks in. A four week delay in the start date of the IS claim will also cause problems for claimants who want to claim IS for help with mortgage interest, as it may delay the start of the “waiting period”.

Claimants who leave WTC and claim income based JSA will also face problems. Again, the WTC may be higher than their JSA entitlement for those four weeks, especially if they are sanctioned for giving up work voluntarily. As well as the problems listed above re HB/CTB, passported benefits and mortgage interest, an unemployed claimant may not be aware of the need to sign-on for four weeks even if benefit isn’t awarded, in order to protect their NI record.

Illustrates: complex interplay between tax credits and means tested benefits. Measures introduced to create an easement by and for Revenue and Customs can cause problems in other areas of the benefit system unless approached holistically.

6.3 Clients are a disabled pensioner and their partner. They each have a full retirement pension. With the small occupational pensions that they have, they are just above the threshold for getting pension credit but they get partial help with rent and council tax. The disabled person claims attendance allowance which is successfully awarded.

The carer is then told about carer’s allowance and makes a claim. It then has to be explained to the carer that they will get a letter disallowing their claim, as their retirement pension is higher than the carer’s allowance. Armed with that letter, they then have to reapply for pension credit and may now qualify because of the inclusion of a carer premium in the calculation. If pension credit is awarded, they will get additional housing and council tax benefit. If pension credit is not awarded, the carer should still get some additional housing benefit and council tax benefit on application.

It is almost impossible to explain this sequence of events to a lay person. Advisers are telling them that, if their income goes up, by virtue of the attendance allowance, they have to claim an additional benefit that we know in advance they will not get, in order to get fresh or higher entitlement to other benefits that were previously refused or reduced because their income was too high!

Illustrates: Complex interplay between carer’s allowance, pension credit, housing/council tax benefit and retirement pensions, where a person has to claim a benefit that they are certain not to be eligible for in order to trigger the “correct” entitlement to other benefits.
APPENDIX 1

BACK TO WORK CALCULATIONS—APRIL 2006-07 FIGURES

Total income with work of four hours per week

Child Benefit: 29.15
Child Tax Credit: 78.26
Carer’s Allowance: 46.95*
Housing Benefit: 73.33 (to cover full rent)
Council Tax Benefit: 21.00 (to cover full council tax liability)
Income Support: 104.25
Earnings: 20.20**
DLA: 58.15

431.29

* current earnings have no impact on Carer’s Allowance, where limit was £84.
** only 20p of these earnings counts as income when income support is calculated, as £20 is ignored.

If client increases work to 15 hours per week

Child Benefit: 29.15
Child Tax Credit: 78.26
Carer’s Allowance: 46.95
Housing Benefit: 73.33
Council Tax Benefit: 21.00
Income Support: 48.70
Earnings: 75.75
DLA: 58.15

431.29 ie the same

This is because any earnings in excess of £20 per week result in a £ for £ reduction in income support.

If client increases work to 16 hours per week

Child Benefit: 29.15
Child Tax Credit: 78.26
Working Tax Credit: 63.49
Carer’s Allowance: 46.95
Housing Benefit: 70.12
Council Tax Benefit: 20.27
Earnings: 80.80
DLA: 58.15

446.94 ie £15.65 higher for 12 extra hours of work compared to the carer working four hours per week

At 16 hours per week, entitlement to income support stops, irrespective of earnings. WTC becomes payable but client loses free school meals for children.

If client increases work to 20 hours

Child Benefit: 29.15
Child Tax Credit: 78.26
Working Tax Credit: 63.49
Housing Benefit: 70.96
Council Tax Benefit: 20.27
Earnings (net): 100.12
DLA: 58.15

420.40 ie £10.89 lower than when the carer works four hours per week

At 20 hours per week, the earnings mean that Carer’s Allowance and carer premium is no longer payable. WTC becomes payable but client loses free school meals for children.

4 April 2007
Memorandum submitted by DWP

SUMMARY

1. This memorandum is submitted by the Department for Work and Pensions (DWP). It covers the following:
   - The current benefits system
   - Complexity in the system
   - Why it matters
   - What the department is doing about it

2. The Department is aware that the benefits system is complex. It has been designed to address the needs of its customers, who live a variety of different and complex lives. It is inescapable that benefits designed to meet such a variety of needs should reflect that diversity. Often the pressures on the Department are to make the system more complex in order to cater for special cases, perceived injustices, European Union requirements and court decisions. However, the Department has a responsibility to avoid adding unnecessary detail which risks needless cost as well as causing confusion and error.

3. The Department is determined to do more to simplify the current system. The National Audit Office report on benefit complexity in November 2005 acknowledged that the Department had started specifically to design new benefits to reduce complexity, as well as removing anomalies, simplifying the information it requires its customers to provide, and using technology to provide better services for its customers.

4. In December 2005 the Department established a dedicated Benefit Simplification Unit specifically to encourage a greater focus on reducing the complexity of the benefit system and a better perception of what the system feels like to its customers. One of its first tasks was to produce a Benefit Simplification Guide which has, for the first time, brought together best practice in a succinct and accessible way. At the same time arrangements were put in place to ensure that simplification was specifically addressed in all submissions to Ministers on benefit issues.

5. Simplification is now receiving greater prominence in all DWP policy and delivery decisions and the Department is devoting more resource and attention to this issue than for many years.

6. Real results are now coming through, most recently in the 2006 Pre Budget Report and in the very major set of simplification changes announced in this year’s Budget. In addition the Department is implementing a new business strategy which will transform the way it delivers services to its customers.

7. We are now seeing real and tangible progress in simplifying both the benefit rules and delivery mechanisms. But we know that more needs to be done in the medium and long term. The recent Freud Report “Reducing Dependency, Increasing Opportunity” commissioned by the Secretary of State recommends a wide debate on the scope for a single system of benefits for people of working age. The Department will play a full part in promoting that debate, whilst, in parallel, it continues to look energetically for further opportunities to simplify the existing system.

1. THE CURRENT SYSTEM

1.1 The current benefits system has been around in some form since the early 20th century but the current structure has grown out of the 1942 Beveridge Report. The Report was designed to counter the five giants of illness, ignorance, disease, squalor, and want. It considered the whole question of social insurance, arguing that want could be abolished by a system of social security organised for the individual by the state. Beveridge recommended the establishment of a National Health Service, National Insurance and Assistance, family allowances, and stressed the importance of full-employment. His measures were adopted and formed the basis of the British post-war Welfare State. Family allowances were enacted in 1945, and National Insurance and the National Health Service in 1946; full employment became government policy. Together, these developments created the welfare state, a system of social security guaranteeing a minimum level of health and social services and for the first time a national system of benefits which was meant to provide “social security” from the “cradle to the grave”.

1.2 The system introduced in the 1940s was in many ways much simpler than today’s benefits system. For example there were fewer benefits and fewer rates—National Insurance sickness and unemployment benefits and retirement and widows pensions were all paid at the same rate although there continued to be a discretionary national assistance scheme which provided a means-tested safety net. Since then there has been a steady increase in the range of benefits and a growth of different rates for different groups of people and categories of need.

1.3 Benefits today generally fall into three basic classes. They are:
   - Contributory benefits are paid in return for the National Insurance contributions a person pays whilst in work. They include State Pension, Incapacity Benefit, contribution-based Jobseeker’s Allowance and Bereavement Benefits (on the deceased spouse’s contributions). Contributory
benefits are not means-tested but criteria relating to the particular contingency must be satisfied (eg unemployment). In addition sufficient contributions must have been paid into the National Insurance Fund prior to the claim.

— Non-contributory benefits are not dependent on certain income levels, but on a person’s circumstances, such as having care or mobility needs arising from a disability or caring responsibilities. Examples are Disability Living Allowance, Attendance Allowance and Carer’s Allowance. Applicants for such benefits must provide evidence that they meet the eligibility conditions. In the case of the former, this may require a medical assessment. Other benefits are provided as an entitlement to people meeting simple eligibility standards. Examples are Child Benefit, paid to anyone with responsibility for a child, and the Winter Fuel Payment, paid to people aged 60 or over resident in Britain.

— Means tested benefits are only paid if a person’s income and capital, such as savings, and family assets, are below a stated level. Means-tested benefits include State Pension Credit, Income Support, Income-based Jobseeker’s Allowance and Housing Benefit. Applicants for such benefits must provide evidence that their circumstances meet the eligibility requirements.

Annex A gives details of the major benefits, work programmes and other forms of support.

1.4 Spending on DWP benefits is forecast to be £119 billion in 2006–07. Including disability benefits, two thirds of DWP benefit expenditure in 2006–07 will go to pensioners, compared with only half in 1996–97. Benefits paid to unemployed people amount to less than 3% of DWP spending. DWP benefits accounted for 9.1% of GDP and 21.6% of total government expenditure in 2006–07.

1.5 The Department and its agencies deliver benefits and other services to some 28 million people via 110,000 staff. The main agencies which deliver benefits are:

— **Jobcentre Plus**—helping people of working age to find work and receive any benefits they may be entitled to, as well as offering a dedicated service to employers to fill their vacancies quickly and successfully. Every working day, Jobcentre Plus pays more than £90 million in working age benefits, receives 23,650 jobs, conducts 43,000 work-focused interviews and helps 6,700 people into jobs (including over 400 lone parents and over 200 people with a Health Condition or Disability).

— **The Pension Service** is responsible for delivering benefits, entitlements and other services to over 12 million pensioners in Great Britain and abroad. These include State Pension Credit, State Pension and Winter Fuel Payments. It also provides State Pension forecasts to people of working age. The agency is organised around two main access channels (telephone and face-to-face). Telephone, post and e-mail customer contacts are delivered through our nationwide network of 20 Pension Centres. Face-to-face services are delivered through Local Service staff who are organised within a nationwide network of ‘clusters’, with each cluster being broadly aligned to local authority boundaries.

— **Disability and Carers Service** serves more than 4 million severely disabled people and carers with annual expenditure in excess of £13 billion. The Service delivers Disability Living Allowance and Attendance Allowance, which are designed to help meet the extra costs in relation to care or mobility that a disabled person has to meet as a consequence of their disability; and Carers Allowance which can make a contribution to the financial needs of people who are caring for a disabled person for 35 hours a week or more.

1.6 DWP agencies work alongside local authorities who administer Housing Benefit and Council Tax Benefit and HM Revenue and Customs who administer Child Benefit and Child Tax Credit and Working Tax Credit. In many cases DWP agencies are paying benefits to people who are also customers of local authorities and HMRC.

2. **Complexity in the System**

2.1 A large part of the benefits system has become complex over the years in order to meet policy aims and to safeguard it against abuse. Much of the complexity is there as a deliberate consequence of the principles and objectives behind the benefits. This is mostly as a result of successive governments who have sought to develop rule based systems that have favoured certain groups.

2.2 Design characteristics can make the system more complex eg means tested benefits, verification and supporting evidence. Contributory and non-contributory principles tend to add to complexity. Minor changes to the system happen frequently and for varied reasons: sometimes due to changes in Ministerial priorities and sometimes as the result of court decisions. Complexity may arise if resources are to be accurately directed to those most in need.

2.3 The Department’s customers live multifaceted lives and over time the system has been designed to address a large range of needs and circumstances. There are tailored schemes for, among others, lone parents, pensioners, sick and disabled people, carers, bereaved people, new mothers and the unemployed, and arrangements are in place to help people pay their rent and council tax. Moreover, the Department must ensure that the benefits system provides the most effective support for helping people into work while
protection of those in greatest need. As a result a considerable number of small and large scale changes have been introduced over successive years which have interacted and overlapped with existing provisions to cause complexity.

2.4 In addition transitional protection is often used to protect existing customers where the Government introduces new rules. This ensures that losers are not created as a result of changes that involved a reduction in benefit entitlement. Transitional protection avoids losers but increases complexity because it preserves the old rules alongside the new.

2.5 A report “Dealing with the Complexity of the Benefits System” was published by the National Audit Office on 18 November 2005. The report argues that an appropriate degree of complexity exists where there is a balance between the system being detailed enough to meet the needs of a wide range of different individuals in various circumstances, yet straightforward enough to run efficiently.

2.6 Announcing the publication of the report the Comptroller and Auditor General Sir John Bourn said:

“The complexity of the benefits system is one of the most important issues affecting the performance of the Department for Work and Pensions. There is a balance to be struck between a system which is detailed enough to respond to needs and yet straightforward enough to be run efficiently, communicating clearly with customers and minimising error. This balance has not yet been reached. It is not for me to direct specific changes but I recommend that the Department builds on current work to tackle the problem both in the short and long term.”

2.7 The National Audit Office report set out a number of key principles for a simplification strategy:

— specifically designing new benefits to reduce complexity;
— systematically removing anomalies;
— simplifying processes including customer input;
— sharing information;
— using technology to protect customers from complexity; and
— making the most of external scrutiny mechanisms.

3. WHY DOES COMPLEXITY MATTER?

3.1 The NAO report highlighted specific areas where complexity caused the most consequences. These were:

— Incorrect or inconsistent decisions: errors may occur because staff and customers do not understand the benefit rules and what is required of them. As a result staff may assess the benefit entitlement incorrectly or fail to follow complex processes properly. Customers may not understand what information they need to provide.

— Complex regulations and delivery structures make fraud easier to conceal and more difficult to detect.

— The customer may be put off claiming because they find it difficult to navigate their way around the system.

— Confusion about how their benefit award is calculated can lead to increased numbers of customers appealing against decisions.

— More re-work required to recover overpayments, deal with customer contacts generated by delays and misunderstandings, and manage the appeals process.

— The degree of customer support required, illustrated for example, by the numbers of people seeking assistance on benefit issues from advisory bodies.

— Problems caused by the complexity of the present benefits system and its interaction with work and training programmes.

3.2 In this context simplifying the system has clear rewards for customers and for staff. There are also financial advantages to simplification in improved efficiency, reductions in customer and staff error, fewer complaints and fewer appeals.

Implications for work incentives

3.3 The Government believes that work is the best route out of poverty, and is committed to making work pay. Through the Working Tax Credit (WTC) and the National Minimum Wage, the Government has increased the minimum income that people can expect on moving into work, thereby improving financial incentives to work and tackling poverty among working people.

3.4 Simplification of the benefits system has an important role to play in two main respects:

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(a) Lack of transparency can make it harder for people to realise that they would be better off in work. There is no unemployment trap for the vast majority of working age benefit claimants because, assuming work of at least 16 hours a week, their out of work benefits would be exceeded by minimum earnings plus in-work benefit and tax credits. However, many people persist in believing that they will not be better off in work and recent research into Housing Benefit suggests that that poor understanding and lack of awareness of the available in-work support is a factor.

(a) Administrative complexity at the point of transition between work and benefits can make people afraid to leave benefits.

4. What is the Department doing to simplify the system?

Short Term

DWP Benefit Simplification Unit

4.1 When giving evidence on the National Audit Office report, DWP’s Permanent Secretary, Leigh Lewis, told the Public Accounts Committee in December 2005 that he was determined to reduce complexity and error in the benefits system. He announced that he was setting up a small Benefit Simplification Unit to act as a catalyst in driving forward simplification across the benefits system; to challenge existing complexity; and to ensure that the benefits system operates in ways that customers and staff can understand.

4.2 As a first step the Unit produced a Simplification Guide to Best Practice for the Department’s staff, which was published in May 2006. The guide is intended to be used by staff developing new policies and operational procedures and is available on the Department’s Internet site. The Unit consulted with staff and the Social Security Advisory Committee in developing the guide and the Committee also agreed to a requirement that all Explanatory Memoranda submitted to it should include an assessment of the impact of the proposed measures on the complexity of the benefits system and its operation.

4.3 The Simplification Guide included a new requirement that all submissions and scoping papers that recommend policy or operational changes to benefits, other than pensions, must be referred to the Unit before they are submitted to Ministers. Staff are required to include a specific section in all submissions detailing the impact of the change on benefit complexity and, if the proposal will lead to increased complexity, a clear explanation as to why this particular option is being recommended. Where the Unit believes that the explanation provides insufficient justification its view will be recorded. In addition all DWP projects must now show in their Strategic Outline Business Cases how they have maximised the opportunity for simplification.

4.4 During the Benefit Simplification Unit’s first year in operation the Department made a number of other changes which have further reduced complexity. These include improvements to the Social Fund scheme; increasing the savings limit for budgeting loan applicants; aligning the treatment of charitable/voluntary/personal injury income across benefits; abolishing the requirement to down rate some benefits after 52 weeks in hospital; consolidating over 200 statutory instruments introduced since the start of the Housing Benefits scheme in 1988 making it easier for customers and staff to understand the benefit rules; and aligning the capital limits across the working age benefits.

4.5 In December 2006, the Pre-Budget report announced both the removal of Adult Dependency Increases in Carer’s Allowance for new claims from 2010, thus increasing consistency in the system by aligning with the planned treatment of such increases within other benefits, and an extension of Job Grant arrangements to Jobseeker customers under the age of 25 years, who were previously excluded, thus equalising the terms of the Job Grant for all working age benefit recipients over 18.

4.6 The Benefit Simplification Unit has recently agreed with the Treasury a number of simplifications to the benefit rules as part of the Department’s 2007 Budget settlement. These include:

— Ignoring compensation payments in the final pay packet: when implemented this measure will ignore all final earnings on new claims to benefit including holiday pay and pay in lieu of notice. Around 1.7 million enquiries to employers each year will no longer be needed.

— Paying all Jobcentre Plus working age benefits a minimum of two weekly in arrears on a common pay day assigned to each individual based on the last two digits of their National Insurance number. This will remove the current mix of different pay periods and the confusion caused when customers change from one benefit to another.

— Removing the double dating provisions for Disability Living Allowance and Attendance Allowance claims by introducing a simpler method for dealing with backdated claims.

— Aligning the treatment of income from sub-tenants across the benefits system by introducing a flat rate £20 disregard to mirror the disregard in State Pension Credit and pension age Housing Benefit and Council Tax Benefit.

4.7 The Department has given a commitment to investigate whether it is possible to produce a measure of benefit complexity. The Unit has been working to establish if a benefit complexity index can be developed that could be used over a period of time to assess progress towards benefit simplification. Initial findings
show there it would be difficult for any single metric to give a clear measure of complexity. Work is now proceeding to establish whether a suitable collection of data from different sources could provide a reliable measure.

4.8 A secondee from Citizens Advice joined the Unit in June 2006 for nine months to look at what could make the benefit system simpler from a customer perspective. Her work built on her experience within Citizens Advice of customer’s problems, discussions with representatives of voluntary organisations at a national and local level and meetings with DWP staff responsible for benefit strategy and delivery. Her findings suggest that for most customers the overall simplicity of the system is as important as the simplicity of individual benefits; that customers need simpler and more effective ways of obtaining information about their entitlement. Her work will feed into the Department’s new business strategy.

4.9 Alongside the Unit the Department set up an Official Error Reduction Task Force in January 2006 comprising membership at senior level from across DWP, with the specific aim of reducing official error in the payment of Income Support, Jobseekers Allowance, State Pension Credit and Disability Living Allowance. In 2005–06 the Department paid more than £116 billion in social security benefit payments to our customers, the vast majority of which was paid out accurately and on time.

4.10 The Task Force has analysed internal official error data and identified the “top 10” official errors in Income Support, Jobseekers Allowance, State Pension Credit and Disability Living Allowance which together constitute around 60% of official error loss in these benefits. It has introduced a package of improvement initiatives targeted at reducing these errors. They include:

— the creation of dedicated action teams in Jobcentre Plus to clear backlogs and deal with complex cases where error is more likely to occur;
— a programme of case-load cleansing in The Pension Service;
— the introduction by the Disability and Carers Service of an enhanced checking regime to prevent error entering the system; and
— a number of IT system enhancements to help reduce official error further.

4.11 The Benefit Simplification Unit and the Official Error Reduction Task Force jointly published its end of year report on 24 January 2007. On the same day, the Department also published a comprehensive and ambitious strategy for reducing official and customer error—Getting welfare right: Tackling error in the benefits system. The strategy focuses on:

— preventing error from getting into the system from the outset, correcting the error that is already contained within it, and improving compliance with processes, so that our staff and customers can ensure claims remain correct once they are in the system;
— ensuring that the benefit system is informed by an increasing understanding of how the system works for the Department’s customers, their advocates, other service users and the staff who administer benefits; and
— taking steps to reduce complexity in the current benefits system (both regulatory and operational).

DWP Simplification Plan

4.12 The Department works closely with the Cabinet Office Better Regulation Executive in seeking to reduce burdens on business and others, including individual citizens. The Department published its first Simplification Plan in common with other Whitehall departments on 11 December 2006. The plan sets out the Department’s strategy to reduce the burdens imposed by its regulation. It is part of a rolling programme of simplification to identify regulations that could be simplified, repealed, reformed or consolidated and includes proposals for reduction of administrative burdens.

4.13 The plan sets out 40 proposals to simplify and clarify the stock of regulation, many of which have been delivered, and plans to reduce administrative burdens on business by 25% (£118 million) by 2010. The plan also sets out a number of reviews which the Department is taking forward to meet or exceed this target. The Department identified £53 million worth of administrative burdens on business which have been delivered.

4.14 The DWP Better Regulation Stakeholder Group, chaired by Minister of State for Pensions Reform, engages directly on the administrative burdens reductions exercise and the simplification plan, providing scrutiny, challenge and validation. The group includes representatives from employers’ organisations, large and small businesses, trade unions, the third sector, local government, the Pensions Regulator and the Pension Protection Fund.

4.15 The Department is working with its stakeholders on a number of reviews to identify where policy savings and administrative burdens reductions might be made. The policy reviews currently underway are:

Private Pensions Deregulatory Review

— This externally-led review is examining the regulation of private pensions, drawing on proposals from stakeholders taking account of the balance between protecting members and encouraging employer provision of pensions and having regard to legal and other constraints. The review will report to Ministers with recommendations by spring 2007.
Private Pensions Institutional Review
— The purpose of this externally-led review is to examine how the functions of the Pension Protection Fund and the Pensions Regulator and other institutions involved in the regulation and protection of work-based pensions, including the Financial Services Authority, fit with the Government’s existing pension policies, its pension reform proposals and wider developments in the pensions market. It also extends to those organisations involved in provision of advice, mediation, dispute resolution or compensation for pensions.
— The aim of the Review is to encourage debate and build consensus on the most appropriate way to organise institutional responsibilities to deliver Government pension policies in the future. It will report to Ministers with recommendations by spring 2007.

Statutory Sick Pay
— The Department has established a Statutory Sick Pay review working group of external and government stakeholders to review the Statutory Sick Pay scheme. The group is undertaking a thorough examination of the existing provision for short-term sick pay for employees, and will provide ministers with a preliminary report in spring 2007, and with agreed final recommendations on the future of Statutory Sick Pay by mid 2007.

4.16 The administrative burdens reviews currently underway are:
Employers’ Liability Compulsory Insurance (ELCI)
— By September 2007 the Department will identify with stakeholders ways to reduce the administrative burdens arising out of the requirement to store and display ELCI policy certificates.

Statutory Sick Pay/Statutory Maternity Pay (SSP/SMP)
— The Department, with its stakeholders, is looking at the administrative burdens on employers created by SSP/SMP legislation. These burdens have been identified mainly as those regulations requiring employers to record and retain information about payment of SSP/SMP to their employees.
— Private Pensions reviews;
— disclosure of information;
— occupational pensions scheme administration requirements;
— stakeholder pensions;
— trustee returns and reports; and
— protected rights.

4.17 The Department will publish an updated Plan in late 2007 that will show simplification that has been delivered and simplification proposals newly identified in 2007.

Simplification for our customers

Direct Payment
4.18 The Department is now paying around 98% of its customers by Direct Payment, a considerable simplification over order books. Direct Payment increases choice, reduces fraud and assures a safe, convenient, more modern and efficient way of paying benefits. It also reduces waste in social security administrative costs; every penny spent on administering benefits is one less penny that could be spent on other priorities.

4.19 The results of independent research commissioned by DWP show that there are very high levels of satisfaction amongst customers who have transferred to Direct Payment. 91% of customers stated that they were satisfied with the process of making the arrangements to receive their benefit by Direct Payment and 93% stated they were happy to receive their benefits in this way.

DWP Communications
4.20 Over the last few years a number of improvements to claim forms have been made across the Department. The State Pension Credit form has been reduced to 13 pages and, since 24 July 2006, customers have been able to apply for State Pension and State Pension Credit at the same time over the telephone without the need to sign any form. For straightforward applications, customers are given their provisional State Pension and Pension Credit entitlement at the end of the call. The Department has also made it easier for people claiming State Pension Credit to claim Housing Benefit and Council Tax Benefit by shortening the claim form from 26 pages to three pages; avoiding the need to ask customers again for information already provided for the Pension Credit claim.

4.21 All Disability and Carer Service leaflets were reviewed in 2006 and have received the Crystal Mark accreditation from the Plain English Campaign. A new Disability Living Allowance Adult claim pack was developed in conjunction with disabled customer groups. This simplifies the claim pack and provides
customers with better guidance on completion. A better Reasons For Decision letter will provide customers with clearer reasons as to why a decision has been reached. This will be tested in May 2007. A shorter Carer’s Allowance Claim Form for State Pension customers has been available from 11 December 2006.

4.22 Following a study by the National Audit Office in 2005–06 the Department’s Communications Directorate has commissioned a full review of all the Department’s information products with the aim of reducing the number that are published and making sure that the content and format of the new leaflets are accessible to all customers. The review has already started to rationalise the product set and simplify the content and language used in them. The new suite of leaflets will be published between April and July 2007 and will be pitched at the national average reading age, have Plain English accreditation and be tested with customers from the relevant section of society before being made generally available to the rest of our customers. These new products will cover the benefits and services offered by the Department as well as specific life events such as bereavement, becoming a carer, becoming a pensioner and losing your job. These life event leaflets will make it simpler for customers to navigate the Department by signposting them to the relevant parts of the Department that deal with the benefits and services associated with those life events as well as directing them, where appropriate, to other Government Departments and independent sources of information and advice.

4.23 Improvements have also been made for customers of other benefits. The revised Attendance Allowance claim form, introduced nationally from October 2003, has been halved in size from 37 pages to 23 and Rapid Reclaim procedures have been introduced for people returning to Housing Benefit, Council Tax Benefit, Income Support, Jobseeker’s Allowance and Incapacity Benefit within 12 weeks of the previous claim which require customers to complete a much shortened claim form.

The executive agencies and customers

The Pension Service

4.24 The Pensions Transformation Programme has fundamentally changed the claims process for State Pension and State Pension Credit. Applications for State Pension and State Pension Credit are much quicker and more straightforward, and as they can be made over the telephone, there is no need to sign a form; and for straightforward applications, customers are given their provisional State Pension and State Pension Credit entitlement at the end of the call.

4.25 In addition, The Pension Service now has an integrated claims process for State Pension Credit, State Pension and Housing and Council Tax Benefit. This means that potentially customers have access to “four benefits in one phone call”. When a customer applies for State Pension Credit, where they have a rent or council tax liability, they are invited to claim Housing and Council Tax Benefit. Local Authorities use The Pension Service’s assessment of income and capital to calculate entitlement for those customers in receipt of Savings Credit. This reduces the amount of information that the customer has to provide to the local authority. The Customer Advisor completes a three page form on the telephone, and then sends it to the customer to check, sign and return to their local authority in a pre-addressed envelope.

4.26 This process commenced in July 2006 and customers are now encouraged to apply by phone, if they can. The average time for a State Pension claim is 17 minutes and for a State Pension Credit/Housing Benefit and Council Tax Benefit claim it is 20 minutes. Where all four benefits are claimed (State Pension, State Pension Credit, Housing Benefit and Council Tax Benefit) the combined length for the call would be reduced as there is no need to repeat information.

4.27 From Spring 2007 The Pension Service plans to introduce an additional question in the State Pension Credit application process to identify relevant caring responsibilities in order to invite, where appropriate, the customer to claim Carer’s Allowance using a new shortened claim pack specifically for people over pension age. The new shortened Carer’s Allowance claim pack is 10 pages long with 51 questions compared to the old 28 page form with 197 questions.

4.28 To increase take-up amongst eligible non-recipients The Pension Service has written to every pensioner household to tell them about State Pension Credit. The direct mail initiative “You’re Missing Out” was targeted at around 1.5 million customers. From 12 February of this year The Pension Service has also targeted friends and family of eligible non-recipients to raise awareness amongst them of the benefits and services to which the customer is entitled. Pension Credit’s appeal has been broadened by focusing much more on pensioners’ needs as a whole, and wording invitations to apply in the context of other pensioner entitlements rather than State Pension Credit alone. For example Local Service are offering a holistic “benefit entitlement check” under the Take a fresh look at your local Pension Service campaign, and have found that this helps to overcome State Pension Credit specific resistance and maximises the amounts of benefit paid to customers from a single intervention.

4.29 Local Service teams are scheduled to undertake over one million home visits to vulnerable pensioners this year, offering full benefit entitlement checks. The teams have been given increased autonomy and flexibility to target local take-up activity based on local knowledge and community needs. This allows for a more responsive local service that reflects the diverse needs of the community. Local service has
developed good relationships with partners in ethnic minority communities and has undertaken benefit awareness sessions, presentations and regular Information Point appointments at a wide variety of locations including community and day centres for ethnic communities.

4.30 Local Service is also working with Local Authorities and voluntary organisations to create “Alternative Offices” (for example in community centres and other local locations). There are currently in excess of 430 designated live Alternative Office sites. These offices are able to:

- receive claims from people aged 60 or over for State Pension Credit and other benefits, or people aged under 60 for benefits administered by the Disability and Carers Service;
- collect and verify information and supporting evidence in respect of those claims; and
- record the date a claim form (or where appropriate, an intention to claim or request for a claim form) is received at an Alternative Office.

4.31 Since 2005 The Pension Service has worked with the energy company EAGA to identify new State Pension Credit customers who could also qualify for a Warm Front Grant for home insulation. The Pension Service is working across government with the Department of Trade and Industry and the energy industry to support a new industry funded Energy Advice Line aimed at attacking fuel poverty.

Jobcentre Plus

4.32 Launched in April 2002, Jobcentre Plus brought together the Employment Service and parts of the Benefits Agency that delivered services to working age people. Its aim is to help more people into work and more employers fill their vacancies, and to provide people of working age with the help and support to which they are entitled.

4.33 Every working day, Jobcentre Plus:

- helps around 6,700 customers find work;
- receives over 23,650 jobs from employers;
- conducts 43,000 adviser interviews;
- processes over 15,000 new benefit claims;
- prosecutes 40 people for benefit fraud;
- takes around 78,000 calls every weekday to our contact centres;
- receives over 298,000 visitors to our website; and
- receives over 915,000 job searches on our website.

Centralisation of Benefit Delivery

4.34 The Department is investing over £80 million in a new benefit processing infrastructure, which involves reducing the number of sites, creating better work environments and enhancing people’s skills through the use of new technology like the telephone system. Centralisation of benefit processing allows Jobcentre Plus to build centres of expertise which will enable it to improve standards of customer service, develop greater expertise in meeting customers’ needs and move work around the country to meet changes in local demand, so reducing delays for customers. In addition fewer, larger, benefit delivery centres and Jobcentres are better able to provide the assistance that people need to find work.

4.35 In September 2004 benefit processing took place in approximately 650 sites. Since then the number of sites processing claims has reduced steadily as part of the rationalisation of our overall business and estate. By March 2008, benefit processing activities will have been centralised into 77 sites. The latest position is that over half the Benefit Delivery Centres will have gone-live by the end of April 2007.

4.36 Jobcentre Plus business processes have been simplified with a single 0800 number to claim Jobseeker’s Allowance, Incapacity Benefit or Income Support. Customers will be able to make their benefit claim in a single telephone call rather than in two calls previously.

4.37 Jobcentre Plus is contributing to the DWP Customer Information Leaflet Review which will simplify the type of information about benefits and services provided to customers, and significantly reduce the volume of leaflets. Site navigation on the website www.jobcentreplus.gov.uk, which receives over 2 million visits weekly, is being simplified and information aligned more closely to the printed leaflets, with improved signposting to delivery channels by simplifying telephone directory information and an easy-to-use postcode search facility on our website.

Disability and Carers Service

4.38 Disability and Carers Service has a strategic business objective to improve the experience of its customers and stakeholders. A significant percentage of its customers come through the voluntary sector and they are almost all customers of other DWP agencies. It is therefore important in designing future services to ensure that current services are as customer focused as possible. To ensure the design of the
outward aspects of its service so they meet the needs of customers. Disability and Carers Service have set up the Disability and Carers Advisory Forum. It comprises representatives from national voluntary organisations. This arrangement has allowed Disability and Carers Service to involve customers and their representatives from the outset in developing change initiatives in the business and provides a forum for them to identify areas where services might be improved.

4.39 Disability and Carers Service has set up a number of sub-groups of the Forum to look at specific aspects of its service. The Family Carers Group provides Disability and Carers Service with a means of engaging organisations that represent the needs of children, young people and their families.

4.40 Disability and Carers Service continues to meet all of its benefit targets; there is a greater consistency in decision making, fewer cases are going to appeal and fewer are being overturned. It is investing in its staff through the Professionalism in Decision Making and Appeals programme. This programme of learning and development for decision makers is enhancing skills with the result being accreditation for decision makers by an external academic body. This is a trailblazing project within Government and is attracting interest across Whitehall.

4.41 The Disability and Carers Service Helpline compares with the best across both public and private sectors in terms of quality of service. The Helpline has been re-accredited by the Contact Centre Association for the second year running and the Benefit Enquiry Line has now also been accredited. On 28 November 2006 the DCS Helpline won the Cabinet Secretary Award for Outstanding Performance at the Whitehall and World Civil Service Awards, in competition with over 600 nominations across 28 government departments.

4.42 The Service continues to receive positive feedback from customers, with 83% satisfied with the service they receive with fewer people feeling dissatisfied—in the last survey those who “expressed dissatisfaction” with the service reduced by 6%.

4.43 The Fairer for Carers project has helped improve the experience of pension age customers in gaining their rightful entitlement to State Pension Credit Carers Premium. This also led to the “Are You Being Served?” project, which is helping integrate customer service with The Pension Service. These are both good examples of joint working driven by the needs of shared customers.

External stakeholders have acknowledged that the Customer Case Management pilots have improved the claim form and medical guidance as well as increasing contact with customers. We are now looking to roll-out all but the IT elements to all units. Our staffing ratios have also changed to help support frontline delivery and our staff are recognising this shift towards customer service.

4.44 DWP, Department of Health and the Disability and Carers Service have been working with Macmillan cancer support to identify ways to develop better ways to signpost disability and other benefits. The process will be woven into the “information prescription” proposals for England that Department of Health are developing with DWP involvement. The information prescription will signpost people to sources of information on their condition and to treatment and services at points along their care pathway, including at the point of diagnosis.

Housing Benefit and Council Tax Benefit

4.45 The Department has made a number of useful simplifications for customers and local authorities in the making and processing of claims for Housing Benefit and Council Tax Benefit:

- As outlined above, it is now easier for people claiming State Pension Credit to claim Housing Benefit and Council Tax Benefit by shortening the claim form from 26 pages to three pages. Most of the information needed for Housing Benefit and Council Tax Benefit is taken from the State Pension Credit claim. It is filled in by The Pension Service—and since December 2005 all completed over the telephone.

- The need for people to re-claim Housing Benefit every year, regardless of whether their circumstances had changed, has been abolished. Before, Housing Benefit could generally be awarded only for a maximum of 60 weeks, and had to be reclaimed each time.

- From April 2004 the need for the vast majority of people moving into work to complete a fresh claim has been removed. Instead, it is treated as a change of circumstances. At the same time the rule in Council Tax Benefit which restricted people in property in bands F, G and H to band E has been abolished.

- From October 2003 people who have reached the qualifying age for State Pension Credit (60) can have their Housing Benefit and Council Tax Benefit backdated for a year, or back to the date they reached 60, if that is less than a year, without having to demonstrate good cause.

- From April 2004 the Housing Benefit and Council Tax Benefit run-on for people starting work has been widened. This used to be for people getting Income Support and Jobseekers Allowance (income-based) and the run-on has been extended to people in receipt of Incapacity Benefit and Severe Disablement Allowance. Broadly, the run-on means that people who qualify get their “out of work” Housing Benefit and Council Tax Benefit for the first four weeks in a new job.
— From April 2006 the rules for the date from which a change of circumstances applies have been simplified.

4.46 A new allowance, Local Housing Allowance, is currently being tested in 18 local authorities. National roll out is planned for April 2008 depending on the progress of the Welfare Reform Bill. The allowance applies to the deregulated private rented sector only and is a flat rate allowance based on household size and location rather than the rent charged. It removes the need for each case to be referred to the rent officer before a decision on entitlement can be made and in doing so makes the system simpler and helps speed up the administration of housing payments.

Joint Working Between DWP and HM Revenue and Customs (HMRC)

4.47 DWP, HMRC and North Tyneside District Council have over recent months been developing and testing possible service improvements in a trial in the North Tyneside Local Authority district in the North East of England. This has focused on delivering improvements in the client experience during the transition into and out of work through closer working and service integration. This is not wholly new territory—these organisations already seek to share information as part of many core processes—but it represents a potential step-change in the scale and impact of that activity.

4.48 When an unemployed person in the trial area leaves benefit to take up work, Jobcentre Plus staff will work with them to initiate and partially populate a claim for Tax Credit at the same time as they close the benefit claim. They will similarly pursue possible Housing Benefit/Council Tax Benefit claims or changes in conjunction with local authority staff. This ensures that people are aware of, claim and much more quickly receive in-work benefit and Tax Credit entitlements.

4.49 Conversely, when someone leaves work and claims Jobseekers Allowance, Jobcentre Plus staff share information as appropriate with colleagues in HMRC (so that appropriate Tax Credits can be stopped immediately, thus avoiding overpayments and debts) and the local authority (to initiate or amend a claim for Housing Benefit/Council Tax Benefit).

4.50 In the initial stages the trial has involved some co-location of staff. This has helped to break down organisational barriers, in particular increasing levels of trust between people working in the different organisations so that one is prepared to take the authority of another as sufficient evidence that information is correct. It should, however, be possible to achieve similar results without co-location.

4.51 It is too soon for evidence to be available on the impact of the trial on employment outcomes but the initial impact has been very positive:

— more claimants are aware of potential in-work entitlements;
— claimants moving into work are having Tax Credits processed within three days; and
— people moving out of work are receiving both JSA and Housing Benefit within around 17 days, compared to a baseline for the latter of around 37 days.

Medium Term

4.52 In the medium term the Department needs to make further improvements to both customer service and efficiency. It is implementing a new business strategy which will transform the way that we deliver for customers. To support the strategy we are designing new benefits to reduce complexity: including reforming benefits for people of pension age and replacing Incapacity Benefit and Income Support for working age customers with a new benefit, Employment and Support Allowance.

Continuous Improvement

4.53 During 2007–08 the new business strategy will take some important steps to:

— pilot continuous improvement initiatives, delivering major efficiencies by streamlining processes across all business activities;
— understand better what customers want through a newly established Customer Insight team;
— work more effectively across business and government boundaries;
— prepare to take on cross-Government responsibility for DirectGov from 2008; and
— develop better on-line enquiry services for customers giving them more information across a range of entitlements.
Customer Insight

4.54 Customer Insight is the comprehensive understanding of customers and their needs drawn from their preferences, behaviour, experiences and beliefs, and the application of that understanding to the design and delivery of services to them.

4.55 The Department currently takes a product-based view of its customers. In the future, through Customer Insight, it aims to understand:

— what customers want and need from the Department’s services;
— how products and services come together in groups for individuals;
— how those individuals would or could access those products and services and how DWP might target its service delivery to meet customer needs in the most efficient way possible; and
— how the service to customers may impact upon policy outcomes and, therefore, how to prioritise, design and deliver services in order to maximise positive outcomes.

Pathfinders

4.56 Three Pathfinders have been identified to test out a continuous improvement approach. The three Pathfinders, in order of implementation are:

— Carers Allowance Unit in Disability and Carers Service.
— Jobcentre Plus North East, focusing on the Jobseekers Allowance New Claims process.
— Jobcentre Plus and Disability and Carers Service focusing on Incapacity Benefit and Disability Living Allowance claims.

The Jobseekers Allowance and Incapacity Benefit and Disability Living Allowance Pathfinders will last up to 10 weeks and the Pathfinder phase for all three will end around mid April.

4.57 All three pathfinders have adopted a Lean approach and have used some of the Lean Tools. Lean is a management system used for years in manufacturing companies and also more recently in service companies and Government. It has three main components:

— lean processes, which are efficient and very customer focused;
— a culture that puts customers first and encourages everyone to work continually to improve how we operate; and
— a management infrastructure that supports the Lean culture and processes.

4.58 The findings and evaluation results from the Pathfinders will provide DWP Change Programme with information that is helpful in shaping how the Programme moves forward on all aspects of full implementation of Continuous Improvement across DWP.

JSA Pathfinder

4.59 The Pathfinder scope is the Jobseekers Allowance New and Repeat Claims process, from first contact to the benefit decision. The Pathfinder is based in North East Region, and will operate out of:

— Northumbria District—Newcastle City Jobcentre.
— Newcastle Benefit Delivery Centre—at Cobalt House Newcastle.
— Middlesbrough Contact Centre.

It will test a range of possible improvements across a live operational area to determine what works best. The objectives are to develop new ways of working that better serve customers; to become more efficient; and to enable staff to contribute to the improvement of the organisation.

4.60 Staff and managers from the North East are working with the DWP Change Programme team to agree what works best for Jobcentre Plus’s customers—a small local project team is already in place and leading the project, with consultancy support. Staff from across the three sites will be involved in designing new processes, which will then be trialled across the three sites (numbers of staff to be involved are yet to be determined). The Pathfinder is scheduled to run for 10 weeks and will finish by 13 April.

Incapacity Benefit and Disability Living Allowance Pathfinder

4.61 The scope is to examine the experience of current Incapacity Benefit customers who go on to claim Disability Living Allowance. Therefore, the starting point will be from first customer contact at point of claim for Disability Living Allowance. From this point on the pathfinder will fan out and examine their experience throughout their entire (end to end) customer journey.

It is operating out of:

— Disability and Carers Service Disability Benefits Centre in Leeds;
— Jobcentre Plus Contact Centre in Grimsby;
— Jobcentre Plus Benefits Delivery Centre in Wakefield; and depending on how far the scope fans;
— Jobcentre Plus Jobcentre in Wakefield; and
— Medical Testing Centre in Leeds.

4.62 The Pathfinder is in the earliest stages. A small core project team has been inducted using staff sourced from the above sites (with others on standby dependent on the direction of travel). The Pathfinder is scheduled to run for 10 weeks finishing 20 April.

Carers Allowance Pathfinder

4.63 The Pathfinder scope is to transform the processes and methods of operation that will be used to deliver Carers Allowance benefits in the future.

This Pathfinder is funded by the Disability and Carers Service Change Programme. They have had consultancy support since 18 December and DWP Change Management have been working with the Pathfinder since the beginning of February.

4.64 The project is based in Preston over 3–4 sites that are closely located across a single office centre. The Carers Allowance Unit employs about 900 staff, of which 800 deal with the operational process of the benefit (across all of these sites). On 29 January they started to pilot new processes with two teams and compare the results with two control teams. This involves around 50 staff and it will run up to Easter, when results will be evaluated and a more detailed implementation plan developed.

Pensions Reform

4.65 The Pensions White Paper represents the most ambitious pensions reform programme in 50 years and provides a solid response to the long-term pensions challenge. The Government’s radical reforms of the pensions system are scheduled to take place in two stages. The first Pensions Bill (currently approaching 3rd Reading stage in the Commons) primarily takes forward reform of the state pensions system and represents a root and branch simplification of rules on access, scope and coverage of State Pensions. The second Pensions Bill aims to encourage more people to make private saving by a process of auto enrolment and the introduction of personal accounts.

4.66 This year’s Pensions Bill provides a simpler, flat-rate system that will be a foundation for individual saving. It will:
— Simplify the contribution conditions for state pensions to increase access and coverage.
— Modernise the contributory principle so that it reflects the social and economic realities of the 21st century and provides a fairer deal for women and carers.
— Reform the State Second Pension so that it becomes a simple, flat-rate weekly top-up to the basic State Pension.
— Link the basic State Pension to rises in average earnings. The objective, subject to affordability and the fiscal position, is to do this in 2012 but in any event at the latest by the end of the next Parliament.
— Raise the State Pension age in 2024 from 65 for both men and women in line with the growth in average life expectancy. The State Pension age will be increased by one year over a two-year period from 2024, and then again in 2034 and in 2044. This will signal the need for a behavioural change towards working longer as we live longer.

4.67 Taken together, these reforms will produce an affordable, sustainable and fair system, in which each generation will spend a similar proportion of their lives contributing to and receiving pensions.

4.68 Under the new system, anyone meeting the simpler entitlement conditions will receive a full basic State Pension worth about 20% of median earnings. Years spent working or caring will boost this amount through the reformed State Second Pension, so that someone working or caring for around 40 years can expect to retire on around 30% of median earnings—or around £135 in today’s earnings terms—before any private saving.
Introducing a Single Contribution Condition

4.69 This would mean:

**Before**
Currently, an individual needs to pass two contribution conditions to gain access to any basic State Pension. The 1st contribution condition requires that they must have one year of paid contributions from earnings (or paid voluntary Class 3 contributions); and then have a further 9 (for women) or 10 (for men) years of either contributions or credits to give them 25% of the qualifying years currently required for a full basic State Pension (39 for women, 44 for men).

This means a woman needs 39 qualifying years for full basic State Pension, but to get any basic State Pension at all she must have 10 qualifying years—one through paid contributions. Similarly, a man needs 44 qualifying years for full basic State Pension, but to get any basic State Pension at all he needs 11 qualifying years—one of them through paid contributions.

**After**
Under the reforms both women and men reaching pension age from 6 April 2010 will need only 30 qualifying years for full basic State Pension, but just one qualifying year will give entitlement to basic State Pension. Also this one qualifying year may be achieved through paid or credited contributions and gives 1/30th of the full rate of basic State Pension.

It is estimated that around 40,000 people could benefit from the removal of the 1st contribution condition and the 25% de minimis in 2010, rising to around three quarters of a million in 2025.

Replacing Home Responsibilities Protection with Weekly National Insurance (NI) Credits

4.70 This would mean:

**Before**
Home Responsibilities Protection was introduced in 1978 to assist people who have caring responsibilities and are either not in paid employment or have low earnings to build up entitlement to basic State Pension. However, women have lost out because only full years can be recognised for state pension purposes—shorter periods do not count.

**After**
From 6 April 2010, Home Responsibilities Protection will be replaced with a weekly NI credit which will provide entitlement to basic State Pension and State Second Pension (and relevant bereavement benefits). The credit will be available to parents who are awarded Child Benefit for a dependent child under age 12, and registered foster parents. Unlike the old system, where they were different age limits for accruing rights to basic State Pension and State Second Pension.

The new weekly credits for relevant carers will make the scheme fair, more transparent and significantly improve State Pension outcomes for women. The new credit will reward parenting equally with paid contributions.

State Second Pension

4.71 This would mean:

**Before**
Current State Second Pension is extremely complex and very few people are aware of its value. It is based on a system of accruals bands linked to earnings points—there are currently four such points. Accruals bands also change each year because of the differential uprating of the various earnings points. It is therefore very difficult for a contributor to work out the amount of state second pension they are entitled to even using the Department’s guides.

**After**
Under reforms in the Pensions Bill a new flat rate amount of £1.40 a week pension for each qualifying year will replace the great complexity of the existing S2P flat rate calculation. This will be introduced at the same time as we restore uprating of the Basic State Pension with earnings:

- The £1.40 will be re-valued with earnings during a working life and with prices in retirement.
- A residual earnings related scheme for those earning above £12,500 will gradually be withdrawn over about 20 years.

Contributors will be able to see the value of their state pension in the future in terms that they can understand now. The state pension will provide a reliable foundation on which people can base their savings decisions.
Abolition and Phasing Out of Adult Dependency Increase

4.72 The state pension scheme currently includes provision for a man or woman’s State Pension to be increased if another adult is financially dependent on him or her. These increases are known as adult dependency increases.

In developing our proposals for pensions reform we have reconsidered the rationale for adult dependency increases. We have concluded that they are out of step with other measures of pensions reform are now an outmoded element of the State Pension system.

Adult dependency increases will be abolished for new claimants from 6 April 2010. But provision will be made for existing claimants’ entitlements up to this date to be protected up to 5 April 2020.

Those for whom adult dependency increases would otherwise have been payable and who are unable to work will be eligible for the usual range of working-age benefits. In the minority of cases where there is still an adult dependency increase in payment in 2020, the individual and his or her spouse will receive advice on other possible benefit entitlements.

Abolition and Phasing Out of Autocredits

4.73 Since April 1983, National Insurance credits—known as “autocredits”—have been available to men aged 60 to 64. They were introduced in 1983 as a response to high unemployment alongside the ending of the requirement that men aged 60 plus had to register as unemployed to qualify for supplementary benefit. The 1993 White Paper on Equality in State Pension proposed that autocredits should become available to women, on the same basis as currently applies to men, as female State Pension age was increased from 60 to 65 between 2010 and 2020.

In developing proposals for reform of the State Pension scheme the Department has reconsidered the rationale for these credits and have concluded that:

— they are out of step with other measures the Government is taking to encourage people to extend their working lives to their full capacity; and
— under our proposals to widen access to basic State Pension they will become largely redundant.

Therefore the Government proposes that autocredits should not become available to women from 2010 and should be phased out for men in line with increasing female State Pension age up to 2020. This means that the credits will only be available to men for the tax year in which they reach female State Pension age and any succeeding tax year before that in which they reach age 65.

Employment and Support Allowance

4.74 The Employment and Support regime will be a single new benefit, bringing together the existing National Insurance benefit (Incapacity Benefit) and Income Support for those people with health problems or disabilities, combined with a robust work focused support regime for those who can benefit from work and condition management support. In this way the structure of the Employment and Support Allowance will be similar to Jobseeker’s Allowance which brought Unemployment Benefit and Income Support together in 1995. This approach brings all customers together under the same system, so helping to make the system easier to understand for customers and to smooth administration.

4.75 Employment and Support Allowance simplifies the current system for both staff and customers:

— A single claim process for both elements. This is better for the customer: currently two benefits need to be claimed, so this reduces the scope for someone inadvertently missing out on any income-related benefit that they could be entitled to. However, it will be possible to claim only the contributory element if that is appropriate for the circumstances of the customer.
— Assessment Phase: there will be an initial period of 13 weeks during which a rate of benefit, based on the basic level of Jobseeker’s Allowance, is paid. During this period we will avoid making judgement about the most appropriate benefit for that individual. Adopting this transparent, simplified and uniform approach during this initial period, ensures that the same basic approach applies to all customers pending their passing through the Personal Capability Assessment single gateway.
— Benefit calculated on weekly basis: Income Support and Incapacity Benefit are both calculated differently. Income Support is a weekly benefit, whereas Incapacity Benefit is calculated on a daily basis. Employment and Support Allowance, like Income Support, will be a weekly allowance and entitlement will normally be calculated over that period, thereby bringing both strands together and treating them in the same way. This will make allowance rules easier for customers to understand and will simplify benefit administration, particularly where a customer claims both contributory and income related elements. For example, currently income is treated differently within Incapacity Benefit and Income Support. The contributory (Incapacity Benefit) benefit would administer a change in income on a daily basis resulting in a part week calculation, whereas the change in income is attributed only for the days in the benefit week following receipt. However,
the income related benefit would attribute the change from the beginning of the benefit week—resulting in complex calculation, particularly on the Income Support side where Incapacity Benefit is also in payment and therefore taken into account as an additional income. This is not easily calculated or explained.

— **Date of entitlement:** waiting days currently exist within Incapacity Benefit, but not within Income Support. Employment and Support Allowance will bring both strands together and so waiting days will apply to both the contributory and income-related elements. This will mean that entitlement to both strands of Employment and Support Allowance will arise on the same day making the system more easily understood by customers and also a valuable administrative easement for staff.

— **The Personal Capability Assessment (PCA) will be the single gateway onto the higher rate of benefits:** this approach simplifies the existing procedures by which customers may qualify for premia and longer-term rates based on the tenure of their claims or by passports from other benefits, such as Disability Living Allowance. However, it should be noted that the PCA will not affect entitlement or be the gateway to either the Severe or Enhanced Disability Premiums within income related Employment and Support Allowance.

— **Main Phase Components:** only if the PCA is satisfied will the customer move onto the higher rate of allowance (the main phase), unlike the existing contributory Incapacity Benefit, which increases over time, rewarding the longevity of the claim. This simplifies the benefit rules for contributory customers as it reduces the number of progressive increases to the benefit, and provides clarity as to why and when changes in income will occur.

— **Young peoples’ main phase rate:** young peoples’ rates will not be applicable in the main phase of Employment and Support Allowance. This is a simplification for the income related Employment and Support Allowance benefit, as young people’s rates currently apply in Income Support. As well as a simplification in benefit procedure, it will also be administratively less complex and will benefit the customers involved by increasing the basic level of benefit that they receive.

— **Age Additions:** there will be no age additions within the Employment and Support Allowance regime, aligning both strands of the benefit and reducing complexity for staff and customers, making the allowance rules easier to understand.

— **Adult Dependency Increases (ADIs):** There will be no ADIs within the Employment and Support Allowance regime, thereby reducing the number of changes of circumstances which need to be processed. This simplifies and modernises arrangements so that dependents are taken into account only within the income-related system.

— **Changes of circumstances:** bringing together both the contributory and income related cases into Employment and Support Allowance will reduce double handling. Employment and Support Allowance is one benefit instead of two. We will therefore only need to process changes of circumstances once. This is more efficient administratively and will mean fewer opportunities for error to creep into the process, which in turn could affect the amount of benefit in payment. Additionally, this will reduce the number of times that we need to contact customers to verify evidence connected to their claim.

— **Transitional arrangements for existing cases:** over time, we will migrate existing cases across to Employment and Support Allowance. Although transitional arrangements will initially be put in place to protect the cash levels of existing customer’s benefit, in time our aim is to bring all customers onto Employment and Support Allowance rules as far as possible, under the same single system, in turn helping to smooth administration and reduce complexity.

— **Information Technology:** the new Employment and Support Allowance regime will be less complex than its predecessors. Bringing together the contributory and income related rules on to a single IT system is an improvement, as opposed to delivering benefits through two separate systems. It will therefore be possible for the processing of Employment and Support Allowance to include more automated IT processes, requiring less intervention from Jobcentre Plus staff and hence administrative savings.

### Long Term

4.76 The greatest scope for simplification would come from addressing, as part of longer term reform, the current complex structure of the benefits system and problems for customers arising from the interactions between different benefits and in moving from benefits to work.

4.77 In the Green Paper *A New Deal for Welfare*: Empowering people to work, the Government said that there may be advantages in moving in the longer-term towards a single system of benefits for all people of working age.
4.78 This idea was explored further by David Freud who said on page 9 of his report: 

“There is a strong case for moving towards a single system of working age benefits, ideally a single benefit, in order to better support the Government’s ambition of work for those who can and support for those who cannot. A range of international evidence suggests that complexity in the benefit system acts as a disincentive to entering work, and that badly designed systems create unemployment and/or poverty traps.”

4.79 Chapter 7 of the Freud report went on to consider the principles of benefit reform and the relative advantages and disadvantages of three broad options for a future single system. It also looked at the scope for individualising benefit payments to couples and at the case for more integrated delivery of Housing Benefit and Council Tax Benefit. However, the report did not make a firm recommendation, recognising that none of the options was straightforward and that substantial further work and time was required to analyse the potential impacts and to undertake consultation and evidence gathering.

4.80 The Government intends to publish a response to the Freud report in the summer and in the meantime has invited comments on the various findings and recommendations. The Government would be very interested in the Committee’s views on the chapter on benefit reform.

Annex A

MAJOR WELFARE PROVISIONS INCLUDING BENEFITS, WORK PROGRAMMES AND OTHER FORMS OF SUPPORT

<table>
<thead>
<tr>
<th>Year of Introduction</th>
<th>Number of Recipients (2006–07 estimated outturn) thousands</th>
<th>Expenditure (2006–07 estimated outturn) £m</th>
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<td>Income-based Jobseeker’s Allowance—adult elements 1996</td>
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<td>New Deal allowances and credits, and Job Grant 1998 and 2001</td>
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<td>Housing Benefit (including discretionary housing payments) 1983</td>
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<tr>
<td>Council Tax Benefit9</td>
<td>1993</td>
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<td>Regulated Social Fund10</td>
<td>1987</td>
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<tr>
<td>— Cold Weather Payments11</td>
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<td>— Funeral Payments</td>
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<td>— Crisis Loans</td>
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<td><strong>Pensions and retirement</strong></td>
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<td>Minimum Income Guarantee/State Pension Credit 1999–2003</td>
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<tr>
<td>Christmas Bonus—contribution based 1972</td>
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</tr>
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</table>

8 Reducing dependency, increasing opportunity: options for the future of welfare to work: An independent report to the Department for Work and Pensions by David Freud (5 March 2007).

9 Housing Benefit is not just paid to working age claimants.

10 Council Tax Benefit is not just paid to working age claimants.

11 Social Fund figures relate to 2005–06.
Incapacity Benefit 1995 1,457 6,594
Disability Living Allowance 1992 2,824 9,131
Attendance Allowance 1971 1,436 4,144
Severe Disablement Allowance (not available to new customers since April 2001) 1975 272 761
Carer’s Allowance (previously Invalid Care Allowance) 1976 455 1,201
Industrial Injuries Benefits 1948 259 793
Independent Living Funds 1993 17 253
Families and children
Statutory Maternity Pay 1987 1,268
Maternity Allowance 1948 34 176


5 April 2007

Supplementary memorandum submitted by DWP

BUDGET 2007: BENEFIT SIMPLIFICATION PACKAGE

MEASURE 1—TREATMENT OF PAYMENTS MADE ON TERMINATION OF EMPLOYMENT

Proposal

At present, the date of the first payment of several benefits is affected by the customer’s final earnings.

For example, the working age income-related benefits generally ignore last wages, but take termination payments such as holiday pay and pay in lieu of notice into account when deciding the date from which benefit can be paid. In contrast all final earnings over a certain limit, including last wages, may affect Carer’s Allowance and, exceptionally, adult/child dependency increases.

We propose to drop these time-consuming and complex procedures. The date of the first payment on new claims to benefit will no longer be affected by any form of payment within the final pay packet.

Background

Ignoring all final earnings will greatly simplify the new claims process for employers, customers and staff alike. This aligns with the treatment of final earnings in the pension-age income-related benefits (State Pension Credit and Housing Benefit and Council Tax Benefit for customers over pension age), and will introduce consistent rules across the benefits system. In cases where final earnings bring a customer’s capital above £6,000, income-related benefits will still be reduced as now in accordance with the tariff income rules.

Rationale/why we are doing this?

— Makes it easier for customers to claim benefit by decreasing the amount of evidence required to process a new claim.
— Eases burdens on business by removing the need for the Department to make some 1.7 million enquiries to employers to seek details of last payments received or due to be received.
— Simplifies and speeds up the new claims process by reducing the administrative burden; in particular reduces the time taken to process a claim for an income-related benefit.
— Helps reduce levels of error as it removes the need for staff to determine final earnings.
— Introduces consistent rules for new claims across the benefits system.

12 Income Support, income-based Jobseeker’s Allowance and working age Housing Benefit and Council Tax Benefit.
Timing
From April 2008 at the latest.

Measure 2—Paying all Jobcentre Plus Working Age Benefits a Minimum of Two Weekly in Arrears on a Common Pay Day

Proposal
We will align most of the working age benefits so they are paid a minimum of two weekly in arrears and simplify further by allocating a common payday assigned to each customer based on the last two digits of their National Insurance number.

Taken together, these changes will remove the current mix of different pay periods and the confusion caused when customers change from one benefit to another.

Background
Currently working age customers can be paid a minimum of either weekly or two weekly in arrears, and some are still paid in advance (ie, bereavement benefits and industrial injuries benefits). These variations lead to confusion for staff and customers as to when payments are due and for what period. This measure will simplify the process of paying Jobcentre Plus working age benefits and help reduce complexity in the benefits system.

Rationale/why we are doing this?
— Introduces, as far as possible, consistent payment methods across the working age benefits payment system and makes progress towards the introduction of a single system of Jobcentre Plus working age benefits.
— Simplifies the existing process by aligning rules and makes it easier for staff to administer and for customers to understand, which in turn should reduce levels of error and resulting overpayments.
— Makes it easier for customers as in most cases they would retain the same payday and pay period irrespective of which Jobcentre Plus benefit they were receiving.
— Aids the transition from benefits to work by moving towards a common pay period which is transferable between being in work and claiming benefits.
— Advance payments will be available to ease the transition to fortnightly pay for existing customers.
— Customers will be advised in good time to allow them to prepare for the change.

Timing
From April 2009 subject to Jobcentre Plus capacity.

Measure 3—Remove Double Dating Provision for Disability Living Allowance and Attendance Allowance

Proposal
We will remove the different and discriminatory rules for determining the date when Disability Living Allowance and Attendance Allowance entitlement starts, depending on where a customer gets their claim form. In future there will be a single rule which will allow two weeks backdating for all successful claims. The current two-tier process disadvantages those customers who use the services of the Department’s external partners when claiming benefits.

Background
Entitlement to benefit can only be considered once a claim has been made. In most cases there is some flexibility in determining the date on which a claim is made or for allowing a prescribed time for claiming. When Disability Living Allowance and Attendance Allowance were first introduced, legislation did not permit claims to be backdated. However, in 1992 the Government introduced the concession of double dated claim packs for Disability Living Allowance and Attendance Allowance, for claims sent out by an approved office.

Double date claim forms have two spaces for dates to be inserted. The first is the date the form was issued by the approved office and the second is a date six weeks later. If the customer returns the claim form before the second date, benefit is paid from the first date. If not, they are paid from the date the form is received in the approved office. Claim forms provided by other sources do not have the date-spaces and benefit will
only be paid when the completed form arrives in the Disability and Carers Service office. These customers have no opportunity to benefit from the six week time limit for returning completed forms enjoyed by people who get their claim forms directly from an approved office.

**Rationale/why we are doing this?**

- Ensures equal treatment for all the Department’s customers regardless of where they obtain their claim form.
- Simplifies claims processing and removes an unjustifiable unfairness that may give rise to litigation.
- Provides a uniform backdating system that supports the Government’s commitment to working equitably with partner organisations in modernising welfare delivery.
- Sends a powerful message that the Government is committed to joined-up services, across society.

**Timing**

This change requires primary legislation, so timing depends on availability of a suitable legislative vehicle.

**Measure 4—Align the Treatment of Income from Sub-tenants across the Benefits System by Introducing a Flat Rate £20 Disregard from April 2008 to Mirror the Disregard in State Pension Credit and Pension Age Housing Benefit and Council Tax Benefit**

**Proposal**

This measure simplifies the treatment of income from sub-tenants in, mainly, Income Support, income-based Jobseeker’s Allowance and working age Housing Benefit and Council Tax Benefit by applying a standard disregard of £20 in line with State Pension Credit and pension age Housing Benefit and Council Tax Benefit. This replaces the existing disregard of £4 plus an extra £15.45 (from April 2007) if heating is provided.

**Background**

The structure of this disregard has remained unchanged since the introduction of Income Support and Housing Benefit in April 1988 and was carried forward when Council Tax Benefit and Jobseeker’s Allowance were introduced in April 1993 and October 1996 respectively. The basic £4 disregard has remained unchanged but an additional disregard is allowed where the rent includes heating. This increases every year in line with the Retail Price Index for fuel and from April 2007 is £15.45 a week. On the introduction of State Pension Credit in October 2003, the sub-tenant disregard was set at a fixed rate of £20 and this was mirrored in pension age Housing Benefit and Council Tax Benefit from the same date.

**Rationale/why we are doing this?**

- Simplifies the treatment of income from sub-tenants by aligning the standard disregard rule across all benefits.
- Makes it easier for staff to administer and for customers to understand and reduces the potential for fraud and error by removing an obsolete question on the claim form.

**Timing**

From April 2008.

5 April 2007

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**Annual Progress Report of the Error Reduction Task Force and the Benefit Simplification Unit**

1. **Introduction**

   1.1 In 2005–06, the Department for Work and Pensions paid over £115 billion in social security benefits to its customers. The vast majority was paid accurately, on time and to the right person.

   1.2 But sometimes we pay the wrong amount of benefit to customers. This is because our benefits are complex to administer, our IT is not as integrated as it could be, and our staff sometimes fail to follow our own procedures. As a result, in 2005–06, we overpaid an estimated £903 million through official error.
1.3 When giving evidence on the National Audit Office report entitled “Dealing with the complexity of the benefits system” DWP’s Permanent Secretary, Leigh Lewis, told the Public Accounts Committee in December 2005 that he was determined to reduce complexity and error in the benefits system.

1.4 To achieve this goal DWP has subsequently:

— set up a dedicated Task Force to, reduce official error;
— established a Benefit Simplification Unit to drive forward simplification across the benefit system; and
— developed a longer-term error reduction strategy to further improve benefit correctness. The error strategy is being published today (24 January 2007) alongside this report.

1.5 This progress report provides an assessment of what has been achieved by the Task Force and the Benefit Simplification Unit at the end of their first year of operation.

1.6 During 2006, the Task Force and the Unit worked closely to introduce a challenging work programme to help simplify the benefits system and to reduce the level of official error.

1.8 The Benefit Simplification Unit has produced a Simplification Guide to Best Practice for the Department’s staff, which sets out how complexity can occur and advises how it can be avoided. The guide also includes a new requirement that any proposed policy or operational changes to the benefit system have to be vetted by the Simplification Unit before being put to Ministers for consideration.

2. OFFICIAL ERROR REDUCTION TASK FORCE

2.1 The Task Force, comprising membership at senior level from across DWP, was established in January 2006 with the specific aim of reducing official error in the payment of IS, JSA, PC and Disability Living Allowance (DLA).

Approach

2.2 The Task Force has analysed internal official error data and identified the “top 10” official errors in IS, JSA, PC and DLA, which together constitute around 60% of official error loss in these benefits. It has introduced a package of improvement initiatives targeted at reducing these errors. They include:

— the creation of dedicated action teams in Jobcentre Plus (JCP) to clear backlogs and deal with complex cases where error is more likely to occur;
— a programme of case-load cleansing in The Pension Service (TPS);
— the introduction by the Disability and Carers Service (DCS) of an enhanced checking regime to prevent error entering the system; and
— a number of IT system enhancements to help reduce official error further.

Measuring performance

2.3 DWP publishes National Statistics estimates of fraud and error in IS, JSA, PC and Housing Benefit on a regular basis. The most recently published figures (November 2006) provided estimates for the year to September 2005 and thus pre-date the establishment of the Task Force. As corresponding National Statistics figures for the whole of 2006 will not be published until late 2007, the Task Force has developed a number of key performance indicators to enable it to gauge its impact on official error.

Impact of Task Force Error Cleansing

2.4 Chart 1, below, illustrates the impact of the dedicated action teams in Jobcentre Plus and targeted case-load cleansing in The Pension Service. It shows, by October 2006, the value of overpayments identified and corrected by the Task Force had reached over £1 million a week. Although no two benefit claims are entirely the same and some of these overpayments would have been identified and corrected in the normal course of events, the vast majority would have continued for the remainder of the claim. Consequently, overpayments of around this weekly level would have continued had the work of the Task Force not resulted in their being corrected.
2.5 Once the duration of each overpayment has been established and the total overpayment per case calculated, our analysis suggests that Jobcentre Plus action teams alone are likely to have achieved an estimated reduction in official error of around £10 million by the end of March 2007.

Reducing the amount of error in the system

2.6 Chart 2 shows the volume of discrepancies, identified by comparing the information the Department has on its customers with other information sources, which relate specifically to the “top 10” errors targeted by the Task Force. This volume of discrepancies acts as a proxy for the amount of error in the system. As we correct more error we would expect to see the number of discrepancies decrease over time.

2.7 The chart indicates that between March 2006 and October 2006 the overall volume of discrepancies in Jobcentre Plus, the Disability and Carers Service and The Pension Service decreased by around 42%. This suggests that Task Force efforts to reduce the amount of targeted official error in IS, JSA, PC and DLA are being successful.

2.8 The chart below, which is based on all of the available information, shows a steady downward trend in our estimate of official error loss in all three benefits since Task Force improvement activities commenced in April 2006.14

13 Only a proportion of these discrepancies will result in an official error.

14 Chart 3 is based on forecasted estimates which are not directly comparable with Office of National Statistics reports detailing performance against DWP fraud and error targets.
3. **Benefit Simplification Unit**

3.1 The Benefit Simplification Unit was created to act as a catalyst in driving forward simplification across the benefit system; to challenge existing complexity; and to ensure that the benefit system operates in ways that customers and staff can understand.

3.2 The Unit has a complement of four full time staff. A secondee from Citizens Advice joined the unit in June 2006 for eight months.

3.3 The Unit’s initial remit is to:

- ensure that the benefit system is informed by an increasing understanding of how the system works for the Department’s customers, their advocates, other service users and the staff who administer benefits;
- work closely with those proposing benefit changes to ensure that any move towards further complexity is challenged;
- take steps to reduce complexity in the current benefits system (both regulatory and operational); and
- consider the possibility of developing a measure of complexity in the system.

**Progress to Date**

*Embedding best practice*

3.4 As a first step the Benefit Simplification Unit has produced a *Simplification Guide to Best Practice* for the Department’s staff, which was published in May 2006. The guide is intended to be used by staff developing new policies and operational procedures and is available on the Department’s Internet site. The Unit consulted with staff and the Social Security Advisory Committee in developing the guide and the Committee agreed to a requirement that all Explanatory Memoranda submitted to it should include an assessment of the impact of the proposed measures on the complexity of the benefits system and its operation. In addition all DWP projects must now show in their Strategic Outline Business Cases how they have maximised the opportunity for simplification.

*Raising awareness*

3.5 The Benefit Simplification Unit has set up a dedicated intranet site, with additional guidance and help for staff; an e-mail address for staff to forward ideas for change; and has completed a series of road shows across the Department to raise awareness of the simplification agenda. Feedback to the road shows has been extremely positive.
Understanding the customer viewpoint

3.6 This area of work has to date been led by the Unit’s secondee from Citizens Advice. Its focus has been to try to appreciate what would make the benefit system simpler from a customer perspective. It has followed a customer’s journey through the system, from identifying a potential entitlement to benefit, moving through the making and maintaining of their claim to, where applicable, their return to work. Discussion has been held with customer advocates to determine the difficulties that complexity causes them and their customers and to identify potential easements. The Unit also ran workshops during August and September 2006 where policy representatives from the voluntary sector were asked to put forward their views on the problems which different customers can experience at each stage of the journey and their suggestions for making the system simpler and more accessible.

Blocking moves towards greater complexity

3.7 The Simplification Guide included a new requirement that all submissions and scoping papers that recommend policy or operational changes to benefits, other than pensions, must be referred to the Unit before they are submitted to Ministers. Staff are required to include a specific section in submissions detailing the impact of the change on benefit complexity and, if the proposal will lead to increased complexity, a clear explanation as to why this particular option is being recommended. Where the Unit believes that the explanation provides insufficient justification its view will be recorded.

Implementing quick win simplifications

3.8 During 2006 the Department made a number of changes which have reduced the complexity of the benefit system. These include improvements to the Social Fund scheme; increasing the savings limit for budgeting loan applicants; aligning the treatment of charitable/voluntary/personal injury income across benefits; abolishing the requirement to down rate some benefits after 52 weeks in hospital; revoking wholly or in part over 200 statutory instruments introduced since the start of the Housing Benefit scheme in 1988 making it easier for customers and staff to understand the benefit rules; and aligning the capital limits across the working age benefits.

3.9 In December of 2006, the Pre-Budget Report announced both the removal of Adult Dependency Increases in Carers Allowance for new claims from 2010, thus increasing consistency in the system by aligning with the planned treatment of such increases within other benefits, and an extension of Job Grant arrangements to JSA customers under the age of 25 years, who were previously excluded, thus equalising the terms of the Job Grant for all working age benefit recipients over 18.

3.10 In addition the Unit has been working closely with operational colleagues to identify a number of changes that will smooth operations and service to customers. For example, the current verification frameworks for Income Support and Jobseeker’s Allowance require customers to provide certain evidence again if they move between benefits. This can cause delays in processing their claim, resulting in poor customer service, complaints from customers and pressure on staff. We aim to remove this burden and help smooth the transition between these benefits, simplifying the process for both customers and staff alike.

Developing a cross Departmental and Government consensus

3.11 The Unit has also supported a series of projects and initiatives to promote simplification across the Department and is working with the Department’s Fraud and Error Strategy Division, its Risk Assurance Division and the Better Regulation Unit to identify and tackle unnecessary complexity in rules, processes and legislation.

Measuring complexity in the system

3.12 The Department has given a commitment to investigate whether it is possible to produce a measure of benefit complexity. The Unit has been working with the Department’s analysts to establish if a benefit complexity index can be developed that could be used over a period of time to assess progress towards benefit simplification. Their initial finding is that there is no single metric that would give a clear measure of complexity. Work is now proceeding to establish whether a suitable collection of data from different sources could provide a reliable measure.

4. Next steps

4.1 As set out in this note, the Task Force and the Benefit Simplification Unit have achieved some significant progress in a relatively short period but there is, of course, more to be done to simplify the benefit system and further reduce levels of official error. The Department’s Permanent Secretary has therefore decided that the Task Force will run for at least another year and has asked it to seek to introduce further improvement that builds on the good progress made in its first year of operation.
4.2 In 2007, the Benefit Simplification Unit will adopt in parallel a four-fold strategy aiming to:

— block needless further complication of the benefit system;
— lighten the burden on our customers and staff by:
  — cutting and streamlining operational procedures; and
  — helping customers to navigate their way through the system more easily, for example by making it easier for them to understand and make use of financial incentives to work;
— prompt and help Departmental colleagues to exploit opportunities for simplification when benefits are reformed; and
— establish the scope for longer term reform in the shape of fewer, more streamlined rules.

4.3 During 2007 the Unit will also focus on maintaining the impetus on the simplification agenda and consider other means to ensure that the drive for simplification is “mainstreamed” into all aspects of the Department’s work.

5. Conclusion

5.1 The Task Force and the Benefit Simplification Unit have successfully implemented challenging work programmes in 2006 that will impact positively on the level of official error and complexity.

5.2 The Task Force’s performance indicators suggest its activities are already reducing the amount of official error in the benefits system. This is supported by other performance indicators which appear to show an overall downward trend in the level of overpaid expenditure in IS, JSA and PC.

5.3 The Benefit Simplification Unit has produced a Simplification Guide and put in place a mechanism for ensuring that any new proposed policy or operational changes to benefits are vetted by them first. The need to avoid introducing complexity is now an integral part of policy development.

5.4 Plans are in place, or are being developed, to build on this work during 2007 in order to continue bearing down on official error and complexity.

January 2007

Further supplementary note from DWP

List of “legacy benefits” [ie benefits not currently open to new claimants] with an analysis of how many people still claim them; and a cost-benefit analysis of changes to this aspect of the system.

Legacy Benefits

Current caseloads figures for the “legacy benefits” (benefits not currently open to new claimants) are:

— Supplementary Benefit changing to Income Support in 1988: data is not available
— Income Support changing to Jobseekers Allowance in 1996: data is not available
— End of new claims for Severe Disablement Allowance in 2001: caseload of 288,00016 (246,000 working age, 42,000 pensioners) in 2006–07

Cost Benefit Analysis

A cost benefit analysis of buy-outing transitional protection for people in receipt of Invalidity Benefit with a lump sum payment that would be actuarially calculated depending on age and the amount of Invalidity Benefit received, and replaced with long-term Incapacity Benefit, was undertaken in 2004. It was estimated that such a buyout would cost around £2.5 billion. Cost benefit analysis information on the other legacy benefits is not available.

15 2006–07 caseloads taken from DWP benefit projections, Forecasting Division.
17 Figures later corrected by DWP, see Ev 233.
Details of the latest information-sharing projects between CMS, LMS and the new CAM.

Information Sharing: the Department’s Strategic Direction

Improved Access to Customer Information

To enable easier access and sharing of customer information held on the Department’s systems, integration technologies will be used to open up existing systems securely, enabling information provided by the customer directly, or indirectly, to be transferred automatically to those systems that need the information to support the services delivered to the customer. This will also reduce staff costs in time currently taken in manually applying changes to information to multiple systems.

Customer Self Service

Greater customer self service will be enabled by this improved access to information. Initially self-service enquiry services can be provided, followed subsequently with the facilities that will enable customers to update their information which will be automatically updated on the existing systems.

Automation of Processes

To allow for the increased automation of business processes and introduction of “straight through processes” and also support customer self-service, the intention is to deploy process management technology (accompanied by the appropriate security controls) alongside the integration technologies. These technologies will also allow for improved control of long running business processes and the automation of work distribution to staff. This will allow staff to focus on management of complex cases and exceptions where intervention can add the most value while automating the simple straightforward processes.

Staged Deployment

To ensure the successful delivery of the new IT functionality a staged deployment approach is proposed. This will be based on an evolutionary approach, driven by business need, but following industry best practice regarding the deployment of these technologies. For example, initial deployments to provide improved support for customer enquiries by drawing information from multiple systems would be followed by deployment of more complex update functionality.

To enable the rapid deployment of the technologies, with the associated improvement to efficiency, initially focus will be on those technologies that can “wrap” existing enquiry and update functions of the Department’s systems allowing the information to be presented and updated in a more effective manner without the risk of long development and implementation timescales.

Following the initial deployments, more sophisticated integration and process management services will be developed to provide more extensive information transfer and process management functionality.

Information sharing between systems

A degree of information sharing between systems already exists which, in line with the Department’s overarching IS/IT strategy and business strategy, we are looking to enhance.

In order to support service provision to our customers and prevent overpayments our legacy systems have a number of point to point interfaces that allow data to be shared between the different benefit calculation engines and Child Support Agency within DWP as well as to partner organisations like HMRC and Local authorities to support the delivery of Tax Credits and Housing Benefit and Council Tax Benefit.

The Department has recognised that increased data sharing between existing systems and the creation of a single customer account would enable us to deliver significant service improvements for our customers. In that customers will be able to have their full service needs identified and delivered at the point of contact and our staff will have comprehensive tools to support them as they do their job.
The Department is developing a delivery programme that will incrementally deliver the data sharing capability required:

Customer Information System (CIS): we have implemented a common data warehouse for customers' personal details; we have plans to increase the content of this service to include payment details as well as expanding the service provision to enable HMRC to use the common data.

DWP Direct Gov Customer Account: we also have plans to deliver a new e-service to the customer via the Government Gateway, which will allow those customers who have registered on the government gateway to access existing e-service like TeS and Job Bank as well as viewing their data held on CIS.

Customer Management System (CMS) we will continue to enhance and improve the CMS system which supports the information capture process for new and repeat claims to IS, JSA & IB. Once collected CMS shares the data it has captured with the appropriate legacy system as well as HMRC and Local Authorities.

In October 08 we will introduce the Employment and Support Allowance. Delivery of this new benefit will be enabled by an IT infrastructure that reuses the Pensions Transformation Programme (PTP) Customer Account Management (CAM) capability already deployed to support Claims to Retirement Pension and Pensions Credit, this system will share information with our legacy systems which will calculated entitlement and issue payment and notifications to customers but all contact information will be mastered in the CAM.

Our longer term plan is to roll out this infrastructure to all Working Age benefits, thus creating a single customer contact history as well as integrated processing capability.

We are also investigating business opportunities presented by the deployment of “encapsulation” technology. We have completed a “proof of concept” test where we have encapsulated one of the legacy systems (JSAPS) to better support staff dealing with customer enquiries and those updating the system to administer direct payments. We have also shown that we can expose the legacy data as a web service which, potentially, enable use to share data across a range of systems and applications like Better Off Calculator and all those mentioned above.

We plan to test this new technology in a live environment during the summer, and if successful develop an incremental delivery program that will progressively enable our “no wrong door” and “once and done” aspirations for customers service as well as supporting the achievement of our challenging efficiency targets.

The evolutionary approach being taken will allow us to ensure a robust capability to deliver is understood—overall timescales and costs for delivery can then be understood and mapped against our capacity for change and investment over time.

**FURTHER INFORMATION ON THE BENEFIT SIMPLIFICATION UNIT’S PRIORITIES OVER THE COMING YEAR.**

The Unit’s priorities for the coming year are:

Refresh the communications strategy, to ensure that simplification is ‘mainstreamed’ into all aspects of the Department’s work, by using all available means including:

— Reviewing and updating the Guide to Best Practice by the end of May 2007;
— Updating the Unit’s intranet site quarterly to maintain interest and impetus within the Department to simplify and provide staff with the opportunity to forward ideas and proposals to the Benefit Simplification Unit.

Provide Ministers with a quarterly update covering:

— Developments in helping customers find out about benefits;
— Developments in the processes for making a claim to benefit (including IT);
— Changes to the benefit assessment rules;
— Changes in claims completion processes (including joint working with local authorities and HMRC).

Block needless further complication of the benefit system by requiring all Ministerial submissions that recommend policy or operational changes to refer to the effect on benefit simplification and actively vet all working age benefits and pensions submissions. If disagreement between the Unit and the team proposing the change, the final submission to Ministers will include a passage, written by the Unit reflecting both viewpoints.

Continually seek simplification to lighten the burden on customers and staff by cutting and streamlining operational procedures including identification of a further package of simplification measures.

Taking forward the recommendations arising out of the Citizen Advice secondee’s report providing a customer perspective on what would make the benefits system simpler.

Conclude the study of the scope for producing a complexity index.
Play an active part in discussions with operational colleagues to identify policy and operational issues where joint Work Welfare & Equality Group and Jobcentre Plus action could lead to making current business processes simpler for staff and customers and to putting customers’ needs at the centre of our activities. This will include proposals to introduce simpler verification requirements and easier transitions for customers when moving between benefits.

To work closely with colleagues developing the Department’s business strategy to ensure opportunities for further simplification are exploited.

To assist colleagues within the Benefit Reform Division in the development of ideas for a single income replacement benefit for people of working age.

COST-BENEFIT ANALYSIS WHICH HAS BEEN DONE ON THE PROPOSALS IN SUE ROYSTON’S REPORT, OR DETAILS AND TIMETABLE OF ANY SUCH ANALYSIS WHICH IS TO TAKE PLACE.

We are currently considering Sue Royston’s findings and putting together an action plan to address them. Some of the recommendations will be fed into appropriate initiatives already under way in the Department. We will look at the scope for a cost-benefit analysis of the remaining measures during the summer.

AN EXAMPLE OF THE MOST RECENT REPORT TO THE DEPARTMENT’S SENIOR MANAGEMENT TEAM ON “CHANGES TO THE BENEFITS SYSTEM AND THEIR EFFECT ON COMPLEXITY”

These are internal reports which include details of work in progress and discussion of various options that would lead to advice to Ministers on the way forward. As such it would not be appropriate to share this with the Committee.

June 2007

Further supplementary answers by DWP

IMPACT OF MARGINAL DEDUCTION RATES

Marginal Deduction Rates (MDRs) are generally regarded as primarily an issue for people in work whose benefit may reduce as their earnings increase. Housing Benefit /Council Tax Benefit taper rates are often raised for debate in the context of their contribution to MDRs.

There are around 500,000 working age Housing Benefit recipients with Marginal Deduction Rates in excess of 40%. The vast majority of these are on the Housing Benefit taper. There are other important contributors to MDRs such as Taxes and Tax Credits, so the overall contribution Housing Benefit/Council Tax Benefit will make to MDRs depends on what other elements of the tax and benefit system people are on.

During the committee stages of the Welfare Reform Bill Anne McGuire MP Minister for Disabled People stated that ‘recent research suggests that the Housing Benefit/Council Tax Benefit taper is not the main barrier preventing people from moving into work. Sometimes the barrier is that people lack knowledge as to whether they can retain their housing benefit and move into work’.

The research,17 on awareness and understanding of Housing Benefit/Council Tax Benefit as in work benefits, highlights areas where the Department needs to improve the basic awareness and understanding of Housing Benefit and Council Tax Benefit as in-work benefits amongst Jobcentre Plus staff and its customers.

This is because, in general, customers do not take account of Housing Benefit/Council Tax Benefit in their better off calculations and this distorts their decision to move into work. This lack of awareness implies that MDRs in this sense are not at the forefront of people’s minds when considering a move into work.

Evidence reveals that if some clients had been aware or made aware that Housing Benefit and Council Tax Benefit could be claimed in work then this would have impacted on their decision to take up employment. Therefore increasing awareness and understanding of in-work Housing Benefit/Council Tax Benefit could perform an important role in encouraging moves into employment. The Department is currently pursuing strategies to address this.

Taper Rates

Since it is possible to claim several benefits at any one time, it is useful to consider combined taper rates in order to understand the impact that multiple tapers (or MDRs) are likely to have on claimants in practice.

Multiple tapers can work in three main ways, depending on benefit design. Firstly, there are additive tapers. Housing Benefit and Council Tax Benefit are examples of benefits which have additive tapers. This is because Housing Benefit and Council Tax Benefit can be received simultaneously by a customer, so the combined taper rate or MDR faced by the claimant is simply the sum of the two individual taper rates. Housing Benefit has a 65% taper rate while Council Tax Benefit has a 20% taper rate. So, ignoring the effects of taxation for now, the MDR faced by a claimant in receipt of both Housing Benefit and Council Tax Benefit is 85%.

Secondly, tapers can work consecutively. When thinking about how the support for housing and living costs interact it is important to note that the applicable amounts in Housing Benefit and Council Tax Benefit are equal to or greater than the corresponding maximum entitlement to Income Support, State Pension Credit or Jobseekers Allowance (Income based). This means that as income increases, entitlement to Income Support, State Pension Credit or Jobseekers Allowance (Income based) is withdrawn first, at 100%, while Housing Benefit and Council Tax Benefit remains at the maximum entitled amount. It is only once income is high enough such that entitlement to those benefits ends that support for housing costs begins to be withdrawn at the alternative rate of 65% for Housing Benefit (and 20% for Council Tax Benefit). So the MDR for a claimant in receipt of both Income Support and Housing Benefit is 100% up to their applicable amount, and 65% for earnings above their applicable amount. The MDR for a claimant in receipt of Income Support, Housing Benefit and Council Tax Benefit is 100% for earnings up to their applicable amount, and 85% for earnings above the applicable amount (for simplicity we are again ignoring the effects of taxation).

The DWP-based benefits are awarded based on net income, while Tax Credits are aimed at offsetting the negative impact of taxes on earnings for low income individuals. For this reason, Tax Credits are taken into account as income when calculating Housing Benefit and Council Tax Benefit entitlement. This gives rise to a third way in which tapers can interact—when income from one benefit affects the entitled amount in another.

Better Off Calculations

The Better Off Calculator and Personal Benefit Advice applications both prompt a user to enter the amount of potential child care costs and details of any expenses which may be incurred if a customer commences work (eg fares to work).

The primary reason for collecting child care costs is to estimate the impact on benefits such as Housing Benefit, Council Tax Benefit and Working Tax Credit (Child Care element). The reports produced include a breakdown of the calculation and how the amounts entered impact on the potential awards.

Collecting details of a customers expenses is used only to provide a more accurate figure for the comparison between the income a customer will have while on benefit to the income they will get should they take up employment.

There are no plans to remove either of these flexibilities from the Better Off Calculator and Personal Benefit Advice applications as, although they may be figures estimated when an interview is being carried out, they provide a more accurate calculation from which a customer can make a decision.

6 June 2007

Further supplementary memorandum submitted by DWP

“My DWP” Project

The “My DWP” Project is delivering the first iteration of a secure customer account on the internet. The first release, in spring 2008, will focus on customer enquiries and establish the IT platform to enable further releases to follow as the DWP Change Programme progresses.

This will provide easy access to welfare information for each customer. It will provide information about:

— potential benefit entitlement;
— benefits in payment;
— individual pension information; and
— enable the customer to search for job vacancies.

It will also provide access for formal customer representatives in the form of a Trusted Intermediary Model. This will be invaluable for vulnerable customers who need support in accessing any of our services.
BACKGROUND

The Department’s objective is to introduce a secure internet service that will appear through the DirectGov site by the end of March 2008. This supports recent recommendations that citizen/Government services are accessed through a single site. Most services will be available around the clock.

The solution will recognise the need, on occasion, for cross-channel journeys. For instance, a customer may access the on-line service and wish to follow that up with a telephone benefit claim. These cross-channel actions will be kept simple and will aim to make the customer better informed before they call, and ensure they understand who to call or to visit.

These services will be prioritised and phased in to ensure that the most beneficial services for customers are delivered first and customer analysis currently underway will guide this.

The service will integrate Government Gateway enrolment and authentication services to provide secure access to those services that require it. This means that customers will be encouraged to enrol with the Gateway so that they can receive services that give them access to their personal data, in a very secure manner. If customers do not enrol for secure services they will still be able to access services such as identifying what benefit they could receive.

The Department will develop a take up and marketing strategy to advertise the new service.

The new services will include:

— a customer benefit enquiry service that shows which benefits are in payment and when from; and
— a benefit advisor service that will seek to identify which benefits a customer may be entitled to, based on information input by customers, and signpost the customer’s next steps to claim or make further enquiries. This service will also, at first for a limited group of customers, provide an initial calculation of benefit entitlement.

The Department plans to involve customers in the design and testing of the new services. During July we will demonstrate the early service design to a customer focus group and use the feedback to refine and improve the service, prior to completing detailed design work. Later, we will test the services with customers to ensure that the final design has met their needs and can be easily used.

ANALYSIS OF WORK INCENTIVES

DWP, HMT and external organisations regularly carry out analysis related to the impact of the benefits system on work incentives. The main pieces of research and their key findings are outlined below.

INTRODUCTION

It is important to note that the structure of Tax Credits, Housing Benefit and Council Tax benefit are designed to ensure that work pays for most people. As the analysis shows, subject to the level of work-related expenses and passported benefits in individuals’ cases, the situations where incomes in-work may be lower than incomes out-of-work are fairly uncommon. In addition, this factor in isolation may not have a significant impact on people’s work decisions.

Research set out below highlights the role that understanding the benefits system—especially the availability of in-work benefits—plays in an individual’s decision to enter work. In this respect, the complexity of the system is clearly part of the problem because it makes it hard for people to understand the potential gains from working.

Qualitative research has found a positive link between work decisions and estimated gains to work of over £40, but there is also a strong evidence base showing that work is generally good for physical and mental health and well-being. This reinforces the idea that although financial gains are clearly an important factor in work decisions, there are also other benefits of working.

The few structural disincentives within the benefits system may be less significant than other factors such as: awareness and understanding of the benefits system, individual’s in-work costs and passported benefits, alignment of in work and out of work benefits and other non-financial factors.

WORK INCENTIVE CONCEPTS

The following concepts and definitions are often used in relation to work incentives, and are referred to in the reports below:

— The unemployment trap occurs when those without work find the difference between in-work and out-of-work incomes too small to provide an incentive to move into work.
— The poverty trap occurs when those in work have little incentive to move up the earnings ladder because of only limited net gains.
— Marginal deduction rates (MDRs) measure the extent of the poverty trap by showing how much of each additional pound of gross earnings is lost through higher taxes and withdrawn benefits or tax credits.

— The replacement rate is the ratio of net income when out of work to net income in work, thus measures the extent of the unemployment trap.

**TAX BENEFIT MODEL TABLES**

Each year the DWP publishes the Tax Benefit Model Tables which illustrate the financial circumstances of a selection of hypothetical local authority and private tenants (http://www.dwp.gov.uk/asd/asd1/TBMT_2006.pdf). They contain a wealth of information about work incentives—for the various household types, they show the replacement and the marginal deduction rates faced at a variety of income levels. It should be noted that the tables do not cover all types of families in receipt of benefit—in particular, the disabled client group is not included. Also, the individual’s costs associated with entering work are not included in the calculations. The main points to note from the tables:

— Marginal Deduction Rates are generally below 100 per cent, indicating there is a financial gain from an increase in gross earnings.

— However, it is possible for Marginal Deduction Rates to rise briefly above 100 per cent where a benefit tapers out, i.e., falls below its minimum payment level.

— In the scenarios depicted, Replacement Ratios are generally below 100 per cent at all income levels, indicating net income is higher when in work than not.

— The tables show Replacement Ratios of over 100% for families where the head of the household is earning less than £90 and working 16 hours per week. However, in the case of IS, the benefit rules allow the non-working partner to claim on behalf of the couple, allowing the working partner to work up to 24 hours before IS entitlement is lost. Therefore, if the couple are claiming IS, the in-work income is higher than the gross earnings depicted in the table, and the Replacement Rate does not exceed 100 per cent.

**BUDGET 2007**

HMT publishes an analysis of the tax and benefits system on work incentives in Chapter 4: “Increasing Employment Opportunity for all” of Budget 2007 (http://www.hm-treasury.gov.uk/media/73B/65/bud07_chapter4_267.pdf sections 4.68 to 4.71). The main messages were:

— The introduction of the minimum wage has increased the minimum income that people can expect on moving into work, thereby reducing the problem of the unemployment trap. Weekly Minimum Income Guarantees for various family types can be found in Table 4.1.

— The Government’s reforms are ensuring that workers have improved incentives to progress in work, with only around 50,000 households facing MDRs in excess of 90 per cent. The numbers of families facing MDRs of over 100, 90, 80, 70 and 60 per cent can be found in Table 4.2.

**AWARENESS AND UNDERSTANDING RESEARCH**

DWP have recently published research on “Housing Benefit and Council Tax Benefit as in-work benefits; claimants’ and advisors’ knowledge, attitudes and experiences” (http://www.dwp.gov.uk/asd/asd5/rreports2005-2006/reports383.pdf). This research on awareness and understanding of Housing Benefit/Council Tax Benefit as in-work benefits, and our work incentive analysis, highlight areas where we need to improve the basic awareness and understanding of HB and CTB as in-work benefits amongst Jobcentre Plus staff and claimants.

— This is because in general claimants do not take account of HB/CTB in their better-off calculations and this distorts their decision to move into work.

— Evidence reveals that if some clients had been aware or made aware that HB/CTB could be claimed in work then this would have influenced their decision to take up employment. Therefore increasing awareness and understanding of in-work HB/CTB could perform an important role in encouraging moves into employment.

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18 Note that these tables were published in April 2006 when the National Minimum Wage was £5.05, so 16 hours at the NMW resulted in gross earnings of £80.80, and the applicable benefit rate for a couple was £90.10.
HMT Publications

In addition to the information contained in the Budget, and Pre-Budget reports, the HMT also publish a range of reports related to work incentives because of their lead on tax credits. http://www.hm-treasury.gov.uk/documents/taxation_work_and_welfare/work_and_welfare/tax_workwel_index.cfm

External Research

A number of external organisations also conduct analysis on the impact of the benefits system on work incentives (which do not necessarily represent DWP views). Some examples of these are as follows:


DWP/HMRC Joint Working—the Wallsend Project

DWP, HMRC and North Tyneside District Council have, over recent months, been developing and testing possible service improvements in a trial in the North Tyneside Local Authority district in the North East of England. This has focused on delivering improvements in the client experience during the transition into and out of work through closer working and service integration. This is not wholly new territory—these organisations already seek to share information as part of many core processes—but it represents a potential step-change in the scale and impact of that activity.

When an unemployed person in the trial area leaves benefit to take up work, Jobcentre Plus staff will work with them to initiate and partially populate a claim for Tax Credit at the same time as they close the benefit claim. They will similarly pursue possible Housing Benefit/ Council Tax Benefit claims or changes in conjunction with local authority staff. This ensures that people are aware of, claim and much more quickly receive in-work benefit and Tax Credit entitlements.

Conversely, when someone leaves work and claims Jobseekers Allowance, Jobcentre Plus staff share information as appropriate with colleagues in HMRC (so that appropriate Tax Credits can be stopped immediately, thus avoiding overpayments and debts) and the local authority (to initiate or amend a claim for Housing Benefit/ Council Tax Benefit).

In the initial stages the trial involved some co-location of staff. This has helped to break down organisational barriers, in particular, increasing levels of trust between people working in the different organisations so that one is prepared to take the authority of another as sufficient evidence that information is correct. It should, however, be possible to achieve similar results without co-location.

The trial officially ended on 28 February. Although the final report is still to be published, evidence shows that the initial impact has been very positive.

— More claimants are aware of potential in-work entitlements.

— Claimants moving into work are having Tax Credits processed within three days.

— People moving out of work are receiving both JSA and Housing Benefit within around 17 days, compared to a baseline for the latter of around 37 days.

Next Steps

DWP and HMRC are planning to test the trial model in another six or so Local Authority (LA) areas from around September 2007. This will provide the opportunity to test more fully: how the application might work in different types of LAs; where the associated costs and potential savings fall; whether an IT solution can successfully replace the faxes used in the trial to transfer information; and the impact upon performance and customer experience. The trials will incorporate some additional changes that have been identified which compliment the North Tyneside trial approach and support improvements to customer service.
SUMMARY

— One Parent Families welcomes the opportunity to contribute to the Select Committee’s inquiry into the feasibility of simplifying the UK benefits system.

— In considering the simplification of the benefits system, we hope that the Committee will take into account the wider “sea” of benefits, tax credits, and overlapping policies within which DWP-administered benefits swim. To focus simply on DWP-administered benefits is to risk ignoring key areas (and their interactions) which need to be addressed if ordinary peoples’ lives are to be made easier. In discussing the “benefits” system, we have therefore included—on common sense grounds—discussion of tax credits and benefits administered by local authorities.

— Any discussion of complexity must recognise the different purposes different benefits serve. It must also be recognised that complexity is an inevitable part of a mass system which seeks to target help—by means-testing, by measuring impaired capacity to work, and by scrutinising levels of disability for example. Whilst a concerted drive towards greater simplification is to be actively encouraged, measures which fail to take proper account of the wide variety of different circumstances of those reliant on state help are likely to be either prohibitively expensive or unacceptably harsh.

— We consider that existing measures taken to tackle the complexity of the tax credits and benefits system, although useful in themselves, are ultimately on too modest a scale to counter-act the strong drivers of benefits/tax credits policy and business design which continue to create a confusing and incoherent patchwork of provision. Unless resources are found for a more radical and ambitious simplification agenda, it is unlikely that the complex workings of the present system will be improved from the point of view of lone parents, 95% of whom are receiving a benefit or tax credit (excluding child benefit).

INTRODUCTION

1. One Parent Families (OPF) is a national organisation which aims to support lone parents and their families, both through the provision of practical support, training, and information services and through ensuring that the voice of lone parents is heard in current policy debates. Direct contact with lone parents informs our work, so that our services, training and policy work reflect an up to date appreciation of the issues they face. Last year our lone parents telephone-based services provided information, advice and signposting guidance to over 20,000 individual lone parents and distributed in the region of 17,500 free publications.

2. A major part of OPF’s work arises directly from the complexities of the benefits system which have a major effect on lone parents’ lives. We therefore welcome the opportunity to contribute to the Work and Pensions Select Committee’s inquiry into the feasibility of simplifying the UK benefits system.

3. One point which must be made at the outset is that—seen from the customers’ perspective—the complexities they face do not fit within neat Departmental boundaries. For lone parents in particular, benefits administered by Jobcentre Plus and tax credits administered by HMRC are inextricably connected. Local authority administered benefits—Housing and Council Tax benefits—and their interaction with DWP benefits are another key part of the picture. In considering the simplification of the benefits system, we hope that the Committee will take into account the wider “sea” of benefits, tax credits, and overlapping policies within which DWP-administered benefits swim. To focus simply on DWP-administered benefits is to risk ignoring key areas (and their interactions) which need to be addressed if ordinary peoples’ lives are to be made easier. In discussing the “benefits” system, we have therefore included—on common sense grounds—discussion of tax credits and benefits administered by local authorities.

4. Any discussion of complexity must recognise the different purposes different benefits serve. For example, at first sight, it may appear unnecessary to have contribution-based benefits for old age, bereavement, sickness/disability and unemployment sitting alongside means-tested benefits for the same purpose. But as the Committee’s predecessor the Social Security Committee found, “a wholly means-tested benefits system would be cheaper, but would have an unacceptably large number of losers, would have severe consequences for on work and savings incentives, and would be a bureaucratic nightmare leading to high error rates and fraud”. Having conducted a detailed inquiry into the contributory principle, the Committee concluded:

“... social security has a wider role than simply providing a safety net for the poor. Tackling poverty is a key goal and means-tested assistance ... [is] important in providing extra money. But tackling poverty can not be the only objective of a social security system in today’s society; it must have a wider role in tackling inequality and underpinning individuals’ steps towards independent
and responsibility and, as social insurance, should help protect individuals against adverse consequences, including a drift into poverty, as a result of unexpected life events such as illness or injury.”

5. It must also be recognised that complexity is an inevitable part of a mass system which seeks to target help—by means-testing, by measuring impaired capacity to work, and by scrutinising levels of disability for example. Whilst a concerted drive towards greater simplification is to be actively encouraged, measures which fail to take proper account of the wide variety of different circumstances of those reliant on state help are likely to be either prohibitively expensive or unacceptably harsh.

**EXISTING ATTEMPTS AT BENEFITS SIMPLIFICATION**

6. Benefits simplification has long been the “holy grail” of benefits reform. A simpler system would make it easier for customers to understand their obligations and entitlements and claim the support available. There would be fewer mistakes in administering benefits and generally less over- and underpayments. The 1986 Social Security Act, for example, was a major attempt to simplify the means-tested benefits system. More recently, the National Audit Office’s report on the complexity of the benefits system has highlighted how little progress has been made and has sparked off renewed debate on how the system could be simplified.

7. Subsequently, a Benefits Simplification Unit has been established within DWP with a remit to bear down on the complexity among working-age benefits, and it has published a “DWP Benefits Simplification Guide” designed to aid officials to consider the issue of simplification when planning new initiatives. The Department has also sought to clarify the rules governing Housing Benefit and Council Tax benefit, by consolidating over 200 sets of amending regulations into just four new sets of regulations. An overall “simplification plan” has been published by DWP for 2006–07, setting out how it plans to “reduce the burden imposed by its regulation”. The Social Security Advisory Committee has also engaged with the issue, now requiring a statement of “complexity impact” from DWP when assessing new measures.

**THE CURRENT SITUATION**

8. The depth and scale of the task in attempting to simplify the workings of the benefits and tax credits system is immense. The recent NAO report analysed five different types of interaction within different parts of the system which drive complexity. These were the actual design of benefits; smaller scale “patchwork” changes by regulation; “horizontal” interfaces between benefits and between different organisations administering benefits, notably between the benefit and tax credit systems; “vertical” interfaces involved in the translation of policy into practical implementation on the ground; and delivery interactions as benefits staff and customers struggle to meet their obligations. The report analyses in considerable detail all the different aspects of complexity and the impact on clients, administrators, on the intended policy design, and on the public purse. Below are some examples of current complexities, as experienced by lone parents.

**Tax credits and the interface with benefits**

9. The complexities of tax credits are well-known and continue to cause grave difficulties for lone parents, notably the large overpayments they can unwittingly incur and which then cause financial difficulties when the money is recovered. Lone parents complain that they find it difficult to make sense of the computer-generated letters they receive, and that communication with HMRC by telephone can be frustrating and inconclusive.

10. An issue which has caused considerable problems to lone parents concerns overpayments of Working Tax Credits which can arise when HMRC is slow to stop payments once the lone parent has stopped work. Her Income Support will be reduced or be refused altogether on account of the fact that WTC remains in payment. Later, the WTC will be recovered—most likely by reducing child tax credit. But the shortfall in Income Support will not be made up. Thus the lone parent ends up paying twice for the overpayment. The Chancellor has announced in his most recent Budget that, in future, there will be four-week run-on of WTC at the expiry of a job. This will hopefully help resolve the problem, although it depends on the prompt cessation of WTC at that point. Advisers, whilst welcoming the move point out that it presents new reporting complexities for lone parents—who may or may not qualify for Income Support during those four weeks depending on the level of WTC. They may claim Income Support; be refused; but qualify again four weeks later. It is unclear whether Jobcentre Plus will hold their Income Support applications during this period, or whether they will have to apply again. If they do not qualify for Income Support, they may still qualify for Housing Benefit based on their reduced income. Again, four weeks later, a further claim for Housing Benefit will be needed on the basis that WTC has ceased and Income Support has now been claimed.

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11. Another example where the interface between tax credits and the benefits system works poorly is in access to Sure Start Maternity Grants, which for people not on Income Support, can be awarded where child tax credit (paid at a rate above the family element) is in payment. Yet HMRC does nothing to flag up entitlement to the Maternity Grant when a new parent applies for child tax credit. Where a lone parent has applied for the child tax credit following the birth of a baby, but it has not yet been determined at the time of her claim for a Maternity Grant, she will be turned down for the Grant—even though she may well qualify. Jobcentre Plus are reluctant to hold on to the Maternity Grant application whilst awaiting the outcome of the Child Tax Credit award because their own “turn-round” targets are then not met.

Child support and the interface with benefits

12. As the Committee knows, the interface between the Child Support Agency and Jobcentre Plus works poorly. We would draw attention to two areas: the Child Maintenance Premium paid as an extra amount up to £10 on top of Income Support if the lone parent receives child maintenance; and the deduction of £5 to be made from the benefit of a non-resident parent where he has been assessed to pay child support under the new scheme. We know from correspondence with the CSA that it is aware that there are a number of cases where lone parents on Income Support, who are eligible for a CMP payment, are not currently receiving one. The Agency is currently piloting a scheme to increase the number of CMP payments to eligible PWCs. It is also the case that the £5 flat rate is not being deducted from all non-resident parents in receipt of social security benefits due to problems at the interface between CSA and Jobcentre Plus.

Interface with rules relating to people from abroad

13. The entitlements to benefits of people from abroad are one of the most complex areas we advise on. Much depends on a person’s immigration status, whether they are an EEA national, and the interpretation of terms such as “ordinarily resident”, “habitual residence” and “right of residence”. The OPF Advice Line regularly receives calls from young women workers who have come to the UK from one of the eight European accession states, and who want advice on possible financial support after becoming pregnant. They may or may not have entitlement to benefits, but the rules are both complex and ill-defined and depend on a mixture of individual circumstances and law.

Moving into work

14. One of the big problems for lone parents considering a move into work is to establish what their income whilst in work is likely to be. This is far from a simple picture—the amount of earnings being just the start. Other elements include the amount of any tax credits award (made up of Working Tax Credit (WTC) including any child care credit and Child Tax Credit (CTC)) if working 16 hours or more per week, or Income Support if she is working less than 16 hours per week. Establishing the actual amount of a tax credit award in advance is quite difficult to do, because it depends on the lone parent’s cumulative annual income as well as whether there is a tax credit overpayment which is likely to reduce the level of the actual award. There are also various “bonuses” to help ease the passage into work, which (provided the conditions of entitlement are met) include a “Job Grant” and a “run-on” of any existing award of Housing and Council tax benefit or mortgage interest payment for four weeks. Depending on which part of the country the lone parent lives, and how long she has been on benefit, she may also qualify for additional help whilst in work through an extra “in-work credit” payable for the first year, or have access to an “in-work emergency fund”—designed to help out with sudden or unpredictable expenses when starting work.

15. If getting tax credits, there is the amount of a revised Housing and Council Tax benefit award to consider. Again, this requires expert input to predict, as well as a new claim for Housing Benefit which will commence four weeks after work commences.

16. Another element to consider is the effect on benefits and other help which the lone parent automatically received by virtue of receiving Income Support, but which when in work depend upon her level of income—free school meals, for example, and also health benefits and access to legal aid.

17. This is a difficult and complex area where the Government, to its credit, has tried to help. For example, New Deal advisers can help lone parents work with “better-off” calculations, although this has become increasingly hard to do, due to the annual nature of tax credits. They can also help with fast-tracking applications for tax credits and give discretionary access to “extra” start-up help. However, not all lone parents who start work have entered New Deal and therefore do not access these advisers.

18. The complex maze of provision can be hard for lone parents to navigate. Even if potentially better off in work, anxiety about manoeuvring the “switch-over” from out-of-work to in-work financial support can deter people from taking the first step into work. If they run into difficulties, this can make it more likely that they will decide that they are unable to juggle work and home.
Lone parents with a disabled child

19. Entitlement to Disability Living Allowance triggers other entitlements, notably the disability premium within Housing Benefit, the disability element within child tax credit and, potentially, Carer’s Allowance for the carer. These different benefits are processed separately (by the Disability and Carers Service within DWP, by the local authority in the case of Housing Benefit and by HMRC). Although the problem of benefits “silos” is well known, it is still not resolved. OPF still comes across problems where families have either lost out on entitlements or inadvertently end up being overpaid, if they lose entitlement to DLA later on and omit to inform HMRC, the local authority and the Carer’s Allowance Unit. In either situation, the results can be distressing.

What can be done?

20. We agree with the National Audit Office which concluded that “dealing with the problems associated with complexity is a long-term project which will require a systematic and strategic approach focusing on the system as a whole.”

Policy design

21. One problem is the proliferation of new initiatives to “fix” identified problems or to implement new policy solutions, without proper consideration of the wider picture and the final impact on real people’s lives. For example, there have been a host of pilots, “localised initiatives” and “pathways” to test new ideas operating in different geographical areas. Whilst maybe useful individually, the combined effect can be confusing and make it difficult for officials and advisers to give customers a clear idea of what they can expect to get.

22. Sometimes the problem lies in the failure to consider the complex realities of the client group. For example, the DWP has been piloting a new “local housing allowance” designed to make Housing Benefit simpler. Part of the initiative has involved paying housing benefit direct to tenants rather than to their landlord, on the basis that this will “train” them to manage their own rent payments so that they can cope better when they go into work. In practice, the scheme has introduced new complexities as Citizens Advice noted in a report on the local housing allowance (LHA):

“The removal of claimant choice over how LHA should be paid has created the need for vulnerability assessments which introduce new levels of complexity to the HB scheme. We question whether the procedure is sufficiently robust to cope with national roll out. There is also the danger that some vulnerable claimants will fall through the net.”

23. In other cases, what seems simpler from a policy point of view turns out to be a complex nightmare when it comes to implementation. One example is the child support reforms of 2001. Intended to produce a simpler more comprehensive system, the reforms proved unworkable due largely to the struggle to design IT which could perform as required.

24. There is a need for a more comprehensive attempt within the Department (with additional assistance from HMRC and local authorities) to “map” on an ongoing basis the problems to which complexities give rise and why they occur. This needs to be done systematically and across the country, with input from front-line staff; customer-facing organisations; and customers themselves. This is a continuing process, because the dynamic of the tax credits and benefits system is that it is always altered and added to—without consideration of the combined effect.

25. It is also important that the practical implementation of new policy proposals is considered alongside the policy design—right at the start. New initiatives, both great and small, need to be considered not just from the point of view of the Government’s policy intentions but from “the other end of the telescope”: how they will be perceived and acted upon by claimants in the “real world”. Too often, policy designers model their work on a picture of the perfect claimant, not on real customer behaviour.

IT and business processes

26. The use of IT has the capacity to improve some of the complex interactions within the tax credits and benefits system, for example by automatically linking information between different systems. In an ideal world, a person would simplify give information once about starting a job, or having a baby, for all the relevant entitlements to be put in place via linked systems.

27. More has to be done to enable different IT systems to talk to each other; this is a long-term project but one which should be built into the design of any new IT systems. In the long-term, for example, there must be a strategy to design IT systems within HMRC which can interface with those within DWP, notably the IT systems used for child maintenance as well as benefits and pensions.

21 NAO Report, HC 592.
22 Early days CAB Evidence on the Local Housing Allowance, November 2005.
28. Longer lead-in times for the implementation of policies would enable inevitable glitches to be ironed out before a system “goes live”. Too often, civil servants are working to impossibly tight deadlines governed by political imperatives rather than sensible logistical planning. The result can be disaster—as witnessed, for example, with the implementation of the new child support scheme and, more recently, the painful introduction of tax credits. In both instances, the IT systems simply were unable to cope with the volume of work intended, with the result that—within CSA—staff are having to run two systems in parallel (as well as using lots of “workarounds” to overcome IT problems); and within tax credits, there are still over half a million families still receiving Income Support “children’s additions” rather than child tax credits.

29. The relentless pressure to reduce costs within DWP can—and has—lead to IT and business processes being driven more by cost considerations than by the need to create a system which is “user friendly” and comprehensible to customers. A good example is the poor quality of computer-generated letters, which—too often—come very low on the priority list of IT and business process designers.

30. People charged with the task of designing business systems need to think far more carefully, and give higher priority, to how they seek to communicate with customers. For reasons of cost, all organisations now increasingly employ a “call-centre” model, whereby claimants are dealt with by operators who know little about their case but rely on IT systems to answer queries. Staff charged with making the actual decisions on a case are often located elsewhere, and there is a deliberate attempt to shield them from direct contact with claimants. The result is that it can be very difficult for a caller to find anyone to talk to, to get an explanation about a particular decision or to give complex information (relating to the history of a case) in order to raise a specific query.

The contracting out of services

31. OPF does not take a view on the contracting out of services. But we would urge the Committee to consider the complexities which are caused by the contracting out process, where every eventuality has to be catered for and every potential perverse incentive ironed out.

CONCLUSION

32. We consider that existing measures taken to tackle the complexity of the tax credits and benefits system, although useful in themselves, are ultimately on too modest a scale to counteract the strong drivers of benefits/tax credits policy and business design which continue to create a confusing and incoherent patchwork of provision. We consider that, unless resources are found for a more radical and ambitious simplification agenda, it is unlikely that the complex workings of the present system will be improved from the point of view of lone parents, 95% of whom are receiving a benefit or tax credit (excluding child benefit). 23

March 2007

Memorandum submitted by Every Disabled Child Matters

INTRODUCTION

1. Every Disabled Child Matters is a campaign by four leading organisations working with disabled children and their families—Contact a Family, Council for Disabled Children, Mencap and the Special Educational Consortium.

SUMMARY

2. Families with disabled children have a particularly complex relationship with the benefit system, being expected to approach numerous different agencies.

3. We believe that there are a number of inconsistencies in the system, which mitigate against families’ desire to work. We would welcome these being addressed.

4. Fundamentally, however, a simplification of the processes is required, rather than simplification of the regulations. Complex regulations are necessary to ensure that individuals in less common situations can be adequately financially supported.

**WHY SHOULD THE COMMITTEE LOOK AT FAMILIES WITH DISABLED CHILDREN?**

5. Despite a plethora of initiatives aiming to reduce child poverty and improve support for disabled children, families with disabled children continue to experience high levels of poverty and social exclusion.

6. Incomes in such households are likely to be low because families experience considerable additional costs, face multiple barriers to employment, and experience problems accessing disability benefits. For example, only 16% of mothers of disabled children are in any kind of paid employment, compared to well over 60% of mothers generally.

7. With families struggling to access work, many rely on benefits for financial support in the medium and long term. Access to such benefits improves childhood experiences and life chances for disabled children.

8. Current poverty statistics, which underestimate levels of poverty in households affected by disability, indicate that over a million children living in poverty are affected by disability. A quarter of all poor children have a disabled parent. Over half disabled children live on or near the margins of poverty. Half a million children live in households that contain both disabled adults and disabled children. The risk of poverty for these children is particularly high.

9. Families with disabled children have a particularly complex journey through the benefit system. At any one time they may be claiming:
   - Child Tax Credit from HMRC.
   - Working Tax Credit from HMRC if working or Income Support from DWP if not.
   - Child Benefit from HMRC.
   - Disability Living Allowance from DWP.
   - Carers Allowance from DWP.
   - Housing Benefit from the Local Authority.
   - Council Tax Benefit from the Local Authority.
   - Disabled Facilities Grant from the Local Authority.
   - Help with Health costs including fares to hospital from the Department of Health.
   - Grants from the Family Fund.

10. This is in addition to the numerous other assessments that families have to undergo to receive other, non-financial help such as Special Educational Needs Assessments, medical assessments for services such as Speech and Language Therapy and social care assessments for services such as home care and short breaks.

**CASE STUDY 1**

11. “My daughter Amy, aged seven, was diagnosed with a rare syndrome when she was five weeks old. She uses a wheelchair and has only a few words of speech. I had no idea what implications her diagnosis would have for our entire lives. I recorded just how much time and effort we’ve had to put into Amy’s care since then:
meetings and contacts with professionals—774;
hours spent on appointments and phone calls about Amy’s needs—4,942;
miles driven to appointments about her needs—11,004.
This has meant I’ve had to give up work, and as a result my husband and I have been unable to afford much of the special equipment and support Amy needs. The stress puts a lot of pressure on our relationship and our feelings of isolation from ‘normal’ families are sometimes overwhelming.”

**THE CONSEQUENCES OF HISTORICAL BENEFIT CHANGES AND REFORM ON THE CURRENT SYSTEM**

12. There is no doubt that the current system is exceedingly complex for anyone with additional needs. Whilst relatively straightforward for a couple or single person in good health who happen to be temporarily out of work, whenever there is a question of disability, multiple claims will be involved. However, we recognise that part of the reason for this is to ensure that those with particular needs have those met by the system.

**HISTORY OF DISABILITY BENEFITS**

13. The introduction of Income Support in 1988 was in part an attempt to achieve simplification. The old Supplementary Benefit system was much more complex—there were basic allowances for all families and then individual allowances depending on circumstances—for example allowances for bathing if more than one bath a week was required on medical grounds, additional wear and tear on clothing if extra washing was needed, a laundry allowance if washing and drying facilities were inadequate, a heating allowance if the method of heating was particularly expensive or the home was particularly exposed, damp or otherwise hard to heat.
14. All these individual allowances were abolished and subsumed into the more general “disability premium” and “severe disability premium” which exist today. As a result, income was no longer tailored to the costs actually born by the individual—simplification undoubtedly resulted in some gains for those with lower expenses—and some losses for those with higher needs which could no longer be considered individually. Although individuals were protected from these overnight losses through a transitional protection scheme, in practice this meant for some that their benefit income was frozen for some years until the new allowances “caught up” with the existing protected award. Because of the effects of inflation this was in reality a benefit cut which persisted for some years.

15. The learning point from this is that wide scale simplification of benefit rules will inevitably lead to cuts for some people—usually those with the most severe and complex needs. Although the system is complex, the reason for that complexity is in order to be fair to individuals and ensure that the income they receive meets their needs.

Implications of Simplification

16. Following a series of parliamentary hearings on services for disabled children last year, a report\(^\text{24}\) was published in October which found that over half of all parents submitting evidence to the hearings described benefit levels for disabled children as poor. Cuts, in the name of simplification, would drive many more families into poverty.

17. There is a fundamental question to be answered here, which is: “Do we wish to have a system which is simple but unfair or a system which is fair but complex?”

18. In our view it is essential to retain the complexity in order to ensure that families receive the support that they need. A “one size fits all” approach will mean that families with severely disabled children, more than one disabled child, a disabled parent and a disabled child and others in less usual situations may well not get the incomes that they need to survive on.

19. Therefore the complexity of the benefit regulations is necessary for the protection of living standards. However, the important part of simplification for families with disabled children will lie in the ways of accessing the system, methods of processing benefits and in how communication between the various departments works.

20. For example—there are undoubtedly some very complex forms—such as the Disability Living Allowance form. In one submission to the Parliamentary Hearings the application forms were described in one written submission as “a parent’s dread”. DLA forms could be further simplified and Government could consider awarding DLA for longer periods, without the need for further forms, for children with long-term conditions where variation in the level of need is likely to be marginal. This kind of simplification would be most welcome. It might also be possible to combine a claim for Carers Allowance into the DLA form for children so that both benefits could be decided upon simultaneously.

21. There are, however, some areas where we would welcome “greater complexity”—for example we have long argued that parents of disabled children should have access to winter fuel allowances, as older people do.

The Effectiveness of Current Communications Between the Relevant Executive Agencies and Claimants

22. Communications are in our experience poor both within and between the relevant agencies. Communications with claimants are frequently not much better although we are aware of certain initiatives to improve written contact with clients. For example, the Disability and Carers Service is currently reviewing its decision notification letters, claim packs and notes to try and make them easier for claimants to understand. The voluntary sector has been involved in this process.

23. It is our view that current Tax Credit decision notices only provide limited information about the personal circumstances that have been taken into account in assessing an award. This makes it very difficult for the claimant to understand how their award has been calculated and to identify if there have been any mistakes.

24. We believe that the decision notice should include a detailed breakdown of the tax credit calculation, similar to that found in income support decisions. This should include the specific tax credit elements the family qualify for and a breakdown of the individual taxable income taken into account. This sort of detailed breakdown will not only help clients better understand how their award was arrived at but will also greatly assist any advice agency they approach for help when there is a problem with their award.

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\(^{24}\) Parliamentary Hearings on Services for Disabled Children—Full Report, October 2006.
Case Study 2

25. Mrs M lives with partner and two children, one of who is autistic. Husband works, while she claims Carers Allowance. Following end of year reconciliation she had originally received lump sum arrears of £4,000. This, however, was an error (due to the family’s income wrongly having been recorded as nil). She subsequently received 11 letters from HM Revenue and Customs stating that she had been overpaid. Each letter noted a different level of overpayment.

26. In our experience, the majority of overpayments and underpayments to claimants are caused by poor inter and intra agency communication, and to claimants not understanding that agencies are most unlikely to be talking to one another and that they should notify other benefit paying agencies of relevant changes.

27. For example, we continue to regularly come across parents whose tax credit awards do not include the disability element(s) to which they are entitled. It has become increasingly clear that many parents are simply unaware that there is any reason to notify the tax credits office when their child is awarded DLA. Even where a parent does think to tell the HM Revenue and Customs about a DLA award, some still lose out on backdating because they are unaware of the need to notify the TCO at the point that the DLA claim is first made.

Case Study 3

28. Mr D lives with wife and two children aged 14 and seven. Both children have learning difficulties and youngest child receives DLA high rate care/high rate mobility. DLA has never been claimed for eldest daughter since her learning difficulties are much milder than her sibling’s. Mr D works full time earning £19,000 last year and his wife receives Carers Allowance. They assumed that HMRC would know that they were awarded Carers Allowance. They have a current Tax Credit award of £4,423 for the year.

29. Since his wife’s Carers Allowance has never been declared as a taxable income Mr D has been overpaid tax credits. However, as he had also not realised that he should have told them when his son’s DLA increased to high rate, his child tax credit entitlement was under-estimated since his award notice did not include a severe disability element for his son. The rules regarding backdating of this element do not allow for backdating further than three months so Mr D has lost out substantially. We also recommended Mr D lodge a claim for DLA for elder child and explained the need to notify Tax Credit office of this new claim to protect any subsequent disability element.

30. This case study illustrates the importance of establishing straightforward routes for claimants to report change in circumstance.

One Point of Contact

31. If it is necessary to have so many agencies involved in the delivery of a benefits and tax credits system, then there must be one point of access for all of them to which changes can be reported. That point of contact would then have responsibility for ensuring that all those who need to know are informed. The most natural point of contact for this would be a local benefits office. This local point of contact could also take responsibility for taking initial claims for all benefits and carrying out a full check to make sure that all the relevant benefits are claimed—rather as the lead professional role is conceived for social and health care services.

32. This would require a sea change in the training and support available to front line staff to enable them to identify all possible entitlements at the outset (whether these are Bereavement Allowances, Tax Credits or help with NHS costs for example). However, we expect a worker at a community advice centre (such as a Citizens Advice Bureau) to be able to carry out this task competently and effectively and there is no reason why a government agency should not be able to perform equally well.

33. CPAG and Contact a Family evidence (“Out of Reach” 2006) found that there is a lack of information about DLA generally available to families with disabled children and the way in which DLA is administered continues to pose major barriers to take-up. Complex forms, the need for extensive additional evidence, poor decision-making and a high number of appeals prevent many families from receiving their full benefit entitlement. The frequent reduction and removal of DLA generates high levels of financial insecurity. Having a local point of contact and information for help with forms would help greatly.

34. Such a system, would in our view revolutionise the delivery of benefits overnight since the onus would then be on the lead agency to ensure that all those who needed to know of a change would be notified—and if the resulting actions were not taken, there could be no question over the responsibility to pay arrears, or the duty not to recover resulting overpayments. It would take much of the stress and uncertainty away from the current system for claimants too.

35. Although the processing of the claims could still take place remotely and through different agencies if required, it would mean greater transparency for claimants and fewer excuses for not having reported increases in pay and other errors.
36. It would also mean far fewer issues surrounding the delivery of three “types” of benefit in the system—means tested, universal and contributory. Claimants would not miss out on benefits since all the possible entitlements would be explored at the outset and the claimant positively encouraged to return if anyone in the household became ill, became a single parent or a carer for example. Anecdotally, we have heard of families who have decided not to pursue entitlements to Tax Credits because its “just too complicated”. Although clearly the introduction of Tax Credits benefited many families, the administration of it has put many families off. A local “face” for the service who could explain the criteria and reassure families would be very welcome.

**The Consequences of the Current System on Incentives and Disincentives to Work**

*Carers Allowance*

37. Parents of severely disabled children are full-time carers, who often have little or no practical support from the state. Families with children in transition to adulthood say their responsibilities increase rather than diminish, as their child gets older. Parents already frequently express concern about the level of Carers Allowance and the earnings rules. The cut off for Carers Allowance should be tapered so that there is no disincentive for parents to work. At present, the whole allowance (£46.95 per week) is lost once a parent earns above £84 per week. There is a disincentive to work more hours if the salary is between £84 and £130.95 per week.

38. The failure to align the date on which the minimum wage rises with the date on which benefits earnings limits go up also means that some parents get a small pay rise as a result of a higher minimum wage and lose entitlement to Carers Allowance for several months until the earnings limit goes up later in the year.

39. Perverse disincentives to study need to be removed from the benefit regulations, for example the rule which bars Carers Allowance recipients from returning to “full time” study even if they are still caring for over 35 hours a week. For many who have been out of the labour market for some years, retraining is necessary to be equipped for the modern workplace.

*Working Tax Credit (WTC)*

40. Parents of disabled children find childcare inaccessible and unaffordable which is a major barrier to securing employment. Further support is needed to help families access childcare.

41. The childcare element of the WTC should be increased to recognise the additional costs of securing childcare for a disabled child. The costs of childcare for a disabled child are often substantially higher due to the need for higher staff ratios or more specialised care. For instance, an agency providing a home childcare worker with experience of disabilities would charge at the very least £8 per hour (although enquiries suggest the average charge is closer to £11 per hour). So for a basic 35 hour working week, even with no travelling time, childcare costs of at least £280 would be incurred. Yet under the current childcare element rules the maximum help available towards these costs would be £140 per week (80% of £175). This prevents families from being able to work.

42. The 16-hour rule preventing parents who work less than 16 hours per week from accessing childcare assistance via WTC should be waived for parents with disabled children. This would enable them to try out working a shorter number of hours, which they might be able to sustain along with their caring duties.

43. The restrictions on allowing childcare payments via WTC or employer vouchers to family members should be amended for families with disabled children. A family member may best understand the particular needs of a disabled child, and should be able to be recompensed for their childcare.

44. The childcare element of working tax credit is available to single parents, couples who both work, and to people with a partner who is working full-time or is incapacitated. We believe it should also be extended to families where one partner works and the other cares for both a disabled child and other siblings. It is often very difficult for a parent at home to meet the extra care needs of a severely disabled child while also caring for other children at the same time. In such cases the family may need to access childcare to ensure all the children’s needs are met. We also believe that the childcare element should be extended to couples where one parent works and the other parent cares for a disabled person.

45. In terms of job-seeking, if a parent loses one job and is looking for another, it is crucial that the childcare element of working tax credit continues to be paid for some time. This will avoid them having to abandon a hard-won childcare place. We do appreciate the problem of only 80% of costs being covered—however, this cannot be insurmountable. If tax credits for childcare were to increase to 100% for a temporary period to enable a concerted job search, this would be most beneficial. Most parents say that it is much easier to find work than to find childcare.

46. Many carers experience additional costs associated with caring, as well as problems in saving or providing for a pension in later life. A caring role may also prevent them from advancing in their career (caring responsibilities may restrict carers to jobs that do not involve travel, overnight stays, evening work...
or overtime). In order to reflect these labour market disadvantages we would like to see an additional carer element introduced to working tax credit calculations, where the person working also provides regular and substantial care to a disabled child or adult.

47. Were these measures to be introduced, it would be much more realistic for parents with disabled children to enter and remain in the labour market.

**BACKGROUND—ABOUT EVERY DISABLED CHILD MATTERS**

48. Disabled children, young people and their families have been left out for too long. Every Disabled Child Matters (EDCM) is the campaign to put this right. We want all disabled children and their families to have the right to the services and support they need to live ordinary lives.

49. EDCM is a campaign by four leading organisations working with disabled children and their families—Contact a Family, Council for Disabled Children, Mencap and the Special Educational Consortium. We will challenge politicians and policy-makers to make good on the Government’s commitment that every child matters.

50. The campaign has a target to sign up 25,000 supporters by July 2007—16,000 supporters are currently signed up. The campaign has is currently focused on influencing the Comprehensive Spending Review 2007 and driving up standards locally through our Local Authority Charter. A new work programme will be under way shortly on the involvement of disabled children and young people in the campaign.

5 April 2007

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**Supplementary memorandum from Every Disabled Child Matters**

**INTRODUCTION**

Every Disabled Child Matters is a campaign by four leading organisations working with disabled children and their families—Contact a Family, Council for Disabled Children, Mencap and the Special Educational Consortium.

The committee asked for examples of situations in which it is not economically viable for families to return to work, because of the loss of benefits which would follow from that decision. Below are two examples from the Contact a Family helpline of parents who found themselves in just that situation.

**Case Studies**

Please note that the following examples calculate benefit entitlement in work, once any initial run-on in HB/CTB/mortgage interest and the carer premium ends. Family Income and help available with housing costs is likely to be higher in the initial 8 weeks after starting work.

**Case Study 1**

Mrs A lives with her partner and two children aged 12 and 7. Both children receive DLA at the high rate for both components. Mrs A and her husband both receive Carer’s Allowance of £48.65 per week. They also receive Child Benefit, Child Tax credit of £213 per week and Income Support of £49.80 per week (not including housing costs). The family live in a shared ownership property and receive a full council tax rebate (£15pw) and full rent rebate (£70pw) towards their share of the rent. They also qualify for additional income support payments of £50 per week towards mortgage interest.

<table>
<thead>
<tr>
<th>Current income (DLA disregard)</th>
<th>Help with housing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>£48.65 CA</td>
<td>£15.00 CTB</td>
</tr>
<tr>
<td>£48.65 CA</td>
<td>£70.00 HB</td>
</tr>
<tr>
<td>£30.20 CB</td>
<td>£50.00 mortgage interest</td>
</tr>
<tr>
<td>£213.00 CTC</td>
<td>£135.00</td>
</tr>
<tr>
<td>£49.80 IS</td>
<td></td>
</tr>
<tr>
<td>£390.30</td>
<td></td>
</tr>
</tbody>
</table>

Mrs A has been offered a job working 18 hours a week and earning £125 per week net. She will have no childcare costs. If she takes up this opportunity the family income will increase as a result of her earnings and the fact that she will qualify for working tax credit of £65.96. However on the other hand she will no longer qualify for Carer’s Allowance or income support (including payments towards mortgage interest). In addition she would lose all of her council tax rebate and have to pay the first £60 of her weekly rent charge.
Although Mrs A’s income will increase by £92.45 per week, she will have to pay an extra £126.82 per week in housing costs and council tax. This will leave her almost £35 per week worse off. In addition she will no longer qualify for help with free school meals for her children.

### Full Income Support calculation

<table>
<thead>
<tr>
<th>Applicable Amount</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>£92.80 personal allowance</td>
<td>£99.55 earnings (after disregards of £10 + £15.45)</td>
</tr>
<tr>
<td>£27.15 carer premium (husband)</td>
<td>£65.96 WTC</td>
</tr>
<tr>
<td>£50.00 mortgage interest</td>
<td>£48.65 CA</td>
</tr>
<tr>
<td>£169.95</td>
<td>£214.16</td>
</tr>
</tbody>
</table>

### No IS entitlement

#### Full HB/CTB calculation

<table>
<thead>
<tr>
<th>Applicable Amount</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>£92.80 personal allowance</td>
<td>£99.55 earnings (after disregards of £10 + £15.45)</td>
</tr>
<tr>
<td>£27.15 carer premium (husband)</td>
<td>£278.90 WTC + CTC</td>
</tr>
<tr>
<td>£94.90 2 children</td>
<td>£48.65 CA</td>
</tr>
<tr>
<td>£16.43 family premium</td>
<td>£30.20 CB</td>
</tr>
<tr>
<td>£93.38 disabled child premium x2</td>
<td>£457.30</td>
</tr>
<tr>
<td>£37.52 enhanced disability premium x2</td>
<td>£362.18</td>
</tr>
</tbody>
</table>

\[ £362.18 - £362.18 = £95.12 \]

\[ £95.12 \times 65\% = £61.82 \text{ per week rent to be paid} \]

\[ £95.12 \times 20\% = £19.02, \text{ so pays full council tax of £15pw} \]

### Case Study 2

Ms B is a lone parent with 3 children all aged between 2-4 yrs. One of her 2 year old twins receives DLA middle rate care component. Ms B’s weekly benefit payments are Child Benefit of £42.30, Child Tax Credit of £163, Carers Allowance of £48.65, and income support of £37.65. She also receives full rent (£140) per week and council tax (£18.75pw) rebates. Does not receive maintenance.

<table>
<thead>
<tr>
<th>Current income</th>
<th>Help with Housing</th>
<th>Childcare costs incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>£48.65 CA</td>
<td>£140.00 HB</td>
<td>£0.00</td>
</tr>
<tr>
<td>£37.65 IS</td>
<td>£18.75 CTB</td>
<td></td>
</tr>
<tr>
<td>£163.85 CTC</td>
<td>£158.75</td>
<td></td>
</tr>
<tr>
<td>£42.30 CB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£292.45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ms B is offered employment working 35 hours a week and receiving £200 per week net. She is keen to take up this post but this will mean incurring childcare costs of £360 a week for her three children.

If she starts to work, Ms B will lose her Carer’s Allowance and income support. However she will have additional income in the form of earnings and working tax credit. She can expect to receive working tax credit of £319.51 per week. This includes a childcare element of £240 per week, the maximum amount of help allowable with childcare costs. Although she will lose all help with council tax benefit she will still get a partial rent rebate of £61.61, leaving her to pay £78.39 of her weekly rent charge.

### Prospective income

<table>
<thead>
<tr>
<th>Prospective income</th>
<th>Help with Housing</th>
<th>Childcare costs incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>£200 earnings</td>
<td>£61.61 HB</td>
<td>£360</td>
</tr>
<tr>
<td>£319.51 WTC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£163.85 CTC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£42.30 CB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£725.66</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Although Mrs B’s income would increase by £433.21, she would incur substantial new costs of £360 towards childcare and £97.14 towards rent/council tax. As a consequence she would be left £23.93 per week worse off.

**Full HB/CTB calculation**

<table>
<thead>
<tr>
<th>Applicable Amount</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>£59.15 personal allowance</td>
<td>£200.00 earnings</td>
</tr>
<tr>
<td>£142.35 3 children</td>
<td>£483.36 WTC + CTC</td>
</tr>
<tr>
<td>£16.43 family premium</td>
<td>£42.30 CB</td>
</tr>
<tr>
<td>£46.69 disabled child premium</td>
<td>£725.66 Total</td>
</tr>
<tr>
<td><strong>£264.62</strong></td>
<td></td>
</tr>
<tr>
<td><strong>minus</strong></td>
<td></td>
</tr>
<tr>
<td>£25.00 earnings disregard</td>
<td></td>
</tr>
<tr>
<td>£15.45 30 hour disregard</td>
<td></td>
</tr>
<tr>
<td><strong>£385.23</strong></td>
<td></td>
</tr>
<tr>
<td>£385.23—264.62 = £120.61</td>
<td></td>
</tr>
<tr>
<td>£120.61 x 65% = £78.39 rent to pay;</td>
<td>£140—78.39 = 61.61 HB</td>
</tr>
<tr>
<td>£120.61 x 20% = £24.12, so pays full</td>
<td></td>
</tr>
<tr>
<td>council tax of £18.75pw</td>
<td></td>
</tr>
</tbody>
</table>

**Conclusions**

The above examples, which are representative of calls to the Contact a Family helpline, illustrate some problem areas within the benefits system.

Firstly, the only help with mortgage interest payments is through the Income Support system for people not in work. The Housing Benefit system, which does help those in work on low incomes, only covers rent and not mortgage costs.

Secondly, there is a standard allowance for childcare costs in the tax credit system. Childcare for disabled children costs up to five times as much. Many families with disabled children therefore cannot afford to take lower paid employment.

**Memorandum submitted by The Wise Group**

**Key Messages**

— The UK benefits system has developed in an ad hoc way and as a result is often over complicated. The range of differing rates, eligibility criteria and expectations of claimants leads to a system that is difficult for vulnerable people to navigate.

— The current system divides unemployed and workless people into artificial categories based on their benefit status, rather than on their needs or abilities. Most people do not neatly fall into one box, but instead experience multiple aspects of disadvantage that could be dealt with by one of any number of funding streams.

— Despite the streamlining of systems with the creation of Jobcentre Plus there remains a real lack of clarity with regards to the benefits system for claimants and for professionals working in the area. There are continuing complexities and inconsistencies in the way in which the benefits system is communicated and administered.

— There have been improvements in terms of the incentives to work built into the benefits system and for many of our clients the Working Tax Credits system has had a significant impact.

— However, the gap between theory and reality in how this system has been implemented means that disincentives to work are still inherent in the system for too many individuals.

— A clear case has been made for the simplification of the benefits system—particularly in the way in which this is experienced by claimants and the Wise Group has taken particular interest in the assertions made by Roy Sainsbury about the potential gains to be made from a single working age benefit.

— However, we would add the caveat that much of the complexity present within the current system is a reflection and product of the highly complicated and chaotic situations faced by claimants. Any move to simplify the system must still allow for an approach that takes account of the diverse and complex needs of welfare benefits recipients.
INTRODUCTION

1. The Wise Group strongly welcomes this opportunity to comment on the UK benefits system and the options for simplification. As an employment and training organisation founded in 1983 the Wise Group was an early voice in the call to recognise work not just as a route out of poverty, but also as a means of providing people with independence and a better quality of life. In 2006 just fewer than 3,000 people experienced the benefits of moving into employment as a result of one of our programmes.

SUBMISSION

Part One—the consequence of historical benefit changes and reform on the current system

2. The UK’s current benefits system is a complex morass of systems, with means-tested, universal and contributory systems operating in parallel and offering differing rates, eligibility criteria and expectations of their claimants. Many of our clients could fall into more than one benefit criteria and it can be difficult to see whether, for example, a lone parent with health related issues would be best served by support through the New Deal for Disabled People or the New Deal for Lone Parents. People don’t always fit neatly into categories; indeed most of the Wise Group’s clients experience multiple aspects of disadvantage simultaneously (with most experiencing at least three significant barriers to work at any one time) meaning that they could fall into a number of the categories targeted by different elements of the benefits system.

3. It is widely recognised that the way in which the UK’s benefit system has developed has led to the construction of a highly complex and bureaucratically burdensome system. However, this complexity is partly the product of the highly complicated situations faced by many unemployed people. Therefore whilst there are real and very powerful changes that can be made to the system to provide a more simple and straightforward route to claiming benefits, there is also a need to ensure that any new system retains the ability to deal with the individual needs of the diverse body of claimants.

Part Two—the effectiveness of current communications between the relevant executive agencies and claimants.

4. The way in which the UK benefit system is explained and communicated is often incredibly complicated and difficult to understand, particularly when it is considered that five million British people of working age lack basic functional literacy, and seven million million functional numeracy, and that those with low or no skills are most likely to be unemployed. There has been a notable improvement in the style of communication used by Jobcentre Plus documentation. However, as pointed out by the National Audit Office25 (NAO), DWP programmes are publicised through some 245 separate leaflets and, to quote the report “the Department cannot be sure that the information in them is correct and we found that information in leaflets is not always accessible to the people it is intended for. Copies of leaflets were not widely available at the Departmental and external sites we visited. Only 50% of the Department’s offices were able to provide the leaflets required (NAO, 2006, p 6).” Clearly there are still vast numbers of clients who are not necessarily getting the information they require in an accessible and appropriate manner and there remains real inconsistency in the advice received.

5. The findings of the NAO have at times been reinforced by the Wise Group’s own experiences. To quote a front line Employment Consultant, who works to support clients through our Workable (NDDP) programme: “In areas such as Permitted Work entitlement, the 104 week Linking Rule and entitlement to Jobcentre Plus Advisory Discretionary Funding we get inconsistent messages from Jobcentre to Jobcentre and even from Advisor to Advisor”.

6. Recently there has been a shift away from face-to-face communication in the making of a benefits claim and towards the use of other forms of technology—such as telephone and Internet based systems, and there are undoubtably ways in which this can offer a more efficient and streamlined approach. However, the Wise Group’s experience is that our clients find face-to-face communication a far more effective means of giving and receiving information, particularly when talking about fairly personal aspects of their lives and where they may need to explain a fairly complicated individual situation.

7. A continued emphasis on face-to-face communication would be in keeping with a central plank of the Freud report; providing an individualised service that takes account of the specific needs of the individual. We find that face-to-face communication allows the building of trust, something that is harder to replicate on the phone or on-line, and with continued low take-up of benefits such as tax credits, it is important to maximise trust wherever possible. Certainly as far as the Wise Group’s clients are concerned most prefer to speak to another person, rather than a system.

8. It is also important to consider accessibility. Whilst there has been a sizable increase in the accessibility of technology not all unemployed people have telephone or Internet access and there are difficulties for some groups, such as people with certain disabilities or people whose first language is not English. The telephone-based claims system can be incredibly confusing, again as highlighted by the NAO: “There are more than 55 numbers to call for different purposes, which can be confusing for customers” (ibid, p7).

Part Three—Issues surrounding the delivery of three “types” of benefit in the system—means tested, universal and contributory

9. The delivery of three different types of benefit within the current systems does result in difficulties for clients in navigating their way through the differing eligibility criteria and entitlements available and in understanding why certain resources may be available to their peers that is not available to them. Frontline staff report that our NDDP clients have experienced real confusion in understanding the Incapacity Benefit (IB) rules. IB comes in three levels and in cases where there are insufficient National Insurance contributions is substituted by Income Support and Insurance Stamp Credits. Advising clients of their entitlements in these situations can be an incredibly complicated process.

Part Four—Consequences of the current system on incentives and disincentives to work

10. The Wise Group’s experience is that there have been many improvements to the incentives to work produced by the benefits system, particularly through developments such as the Working Tax Credit scheme and Return to Work bonus. Often one of the biggest challenges faced by our programmes is proving to clients that they will not be disadvantaged by moving into work, which goes against commonly held perceptions. In recognition of this we have included a case study, below (paragraph 18), which highlights the positive impact that changes to the current system have had but also the anxieties faced by our unemployed clients when facing the prospect of losing the security associated with benefits.

11. However, regardless of these significant improvements to the system there remain real challenges and very often the reality of using the system does not match the theory of how it should work. Delays in accessing Working Tax Credits can make the process of moving into work difficult and without the kind of additional financial support (eg supermarket vouchers, childcare support) organisations such as the Wise Group offer many would not be able to do so. This kind of support is not available to all however, and there remains a need for a consistent source of transitional support for unemployed people when moving into the labour market.

12. Changes have been made at Jobcentre Plus to fast track Working Tax Credit applications through an on-line system. However, access to this new system is patchy and seems to be impacted on by staff shortages at Jobcentres. The paper-based system used instead is complex, cumbersome and lengthy and can be difficult to complete for clients with literacy and numeracy barriers.

13. Despite many improvements made to the current system there remain clients for whom unemployment seems to be a more financially sensible option than moving into work. This is not necessarily about people “playing the system” but often about them making logical cost/benefit based decisions. The second case study featured below highlights one such client, that the Wise Group is supporting to find a financially viable route into work.

Part Five—the effectiveness of the Benefits Simplification Unit, progress of the DWP Simplification Plan and implications of the Freud Review

14. It is critically important the current system undergoes a process of simplification in terms of communication, rules and processes. However, is equally important to get the balance right; a simplified system should not be produced at the cost of failing to recognise the complex and differing situations of benefits claimants. The DWP needs to achieve a delicate balance between the need for a responsive individualised system and a simplified system—and these may not be mutually reinforcing calls. The Wise Group would agree with the NAO in stating “An appropriate degree of complexity exists where there is a balance between the system being complex enough to meet the needs of a wide range of different individuals in various circumstances, yet straightforward enough to run efficiently.” (ibid, p8).

15. There is certainly a clear need for simpler rules and simpler business processes and most importantly for a real simplification of the client experience in claiming and accessing benefits—this would undoubtedly reduce errors (both claimant and structural) and increase take up.

16. Roy Sainsbury’s26 (University of York) proposals for a single system of benefits for all people of working age is an interesting one and could offer many advantages in providing a single set of rules and clarity in terms of what people are entitled to. It would also be considerably easier to administer and would remove many of the complications inherent in moving people through the benefit system (for example from unemployment related benefits to in-work benefits) where there can be significant delays and complications. Many Wise Group clients face a lengthy wait in accessing Working Tax Credit (up to 10 weeks in some instances), which has implications for them at a time of real financial and psychological vulnerability. A single benefit would also remove the perception of risk involved in moving into work, as although in actuality this is often minimised by the Linking Rule this is not an easy concept to communicate to clients.

26 See http://www.york.ac.uk/inst/spru/pubs/pdf/reform.pdf
17. However, there is still a need to recognise that the unemployed and workless are not a homogenous group and may have need of differing types and levels of support. Any move towards simplification must not result in people losing out. Some people may need more financial support than others, or have different needs and a simplified system must still have the capacity and flexibility to take account of these.

Part Six—Case studies to illustrate the reality of a complex benefits landscape

Stephen*
*please note that client’s name has been changed to respect confidentiality

18. Stephen had been out of work and claiming Incapacity Benefit for eight years as a result of mental health problems. He was married with children and found the thought of moving from benefits to work daunting, partly because his confidence was low but also because he was entirely unaware of the extra benefits he could receive on top of his wages. He had the prospect of a job trial but he was scared that taking it may mean that his family would be penalised financially. Wise Group staff worked with Stephen to explain to him the support available to him through Return to Work and Working Tax Credits.

19. A particular stumbling block for Stephen was completing the forms for Working Tax Credits and Housing Benefit, and intensive support had to be provided by Wise Group staff to allow him to concentrate on starting his new job without worrying about paperwork—this additional support was crucial in allowing him to move into work.

20. Stephen successfully moved into work a month ago and is doing well. His Working Tax and Return to Work Credit are now being paid and his Housing Benefit has been updated, although some additional financial support was required from the Wise Group to support him through the transitional period.

Margaret*
*please note that client’s name has been changed to respect confidentiality

21. Margaret is married with one child and has been on Incapacity Benefits for four years. Her husband is also out of work because of severe health problems and requires a certain level of care and support from Margaret on a day to day basis. Despite her responsibilities for both her 2-year-old daughter and her husband Margaret has been keen to come off her benefits and find work.

22. Margaret actively sought support from her local Jobcentre in finding out what her financial position would be if she found employment. A “Better Off” calculation conducted by the Jobcentre showed that for the hours she could manage to work employment was not a feasible option for her.

23. Margaret is, however, particularly motivated to work and continued to make enquiries on her own behalf as to whether or not this was the case. After she had communicated with both the Council Tax and Housing departments she discovered that the amounts of money she had been told she would be charged for council tax and rent had been incorrect. She then revisited the Jobcentre with these revised totals but was again informed that the hours she wanted to work would not be financially viable.

24. By this time Margaret had secured a potential post as a carer for a child with disabilities, a flexible job with hours that were suitable for her to meet her other responsibilities at home. She discussed the situation with her potential employers who agreed to increase the hours they had offered her to 26 hours a week. After discovering this Margaret re-contacted her Jobcentre to find out if this increase in hours will make work financially viable. However, she was told that she would have to wait at least a month before she could get an appointment in order to run the “Better Off” check.

25. Margaret still doesn’t know if she will be able to take the job on offer to her. She has been proactive in trying to move off Incapacity Benefit and into work but has faced a number of complications and blockages in the system that have been difficult to overcome and demotivating. The Wise Group is currently working with Margaret to provide her with more training and continue to support her to find a solution to this situation.

5 April 2007

Memorandum submitted by the Joseph Rowntree Foundation

The JRF is one of the largest social policy research and development charities in the UK, spending about £10 million a year on a research and development programme that seeks to better understand the causes of social difficulties and explore ways of overcoming them.

Summary

— Benefits and tax credits now need to be looked at in combination
— The central purposes of the benefit system are being re-examined, and while this could bring a certain amount of simplification, there is also a risk of greatly increased complexity.

— A barrier to simplification is that we have no starting point of agreeing what is an adequate minimum income.

— Work incentives have improved overall over the long term, but remain a key issue. Trade-offs between employment incentives, in-work incentives and poverty alleviation need to be delicately managed.

— Two particular issues to address in terms of entitlements are the existence of discontinuities and the complex differences in uprating policies.

— The coexistence of tax credits and benefits create difficulties of timing and complexity.

— The benefits system continues to make a sharp distinction between people “in work” and “out of work”, and thereby potentially deters some people from engaging in certain forms of economic activity, or pushes them into a hidden, informal economy.

— It is worth exploring approaches that could reduce the importance of means testing, including the strengthening of some universal benefits and measures affecting the need for council tax benefit and housing benefit.

INTRODUCTION

1. An inquiry into simplification of the UK benefits system is a welcome but ambitious enterprise. A repeated theme in social research carried out by JRF and others is that claimants find the system complex and confusing, and that this reduces the value of the benefits system as a whole and in some cases deters people from using it. Yet over the years, efforts to simplify the system have proven elusive, partly because they have conflicted with other objectives, and partly because each reform has been overlain on an existing set of entitlements and structures. A bold reform to “start again” and create a new and greatly simplified system would undoubtedly have huge transition costs and create losers—which is not necessarily an argument against contemplating it. However, without such a “big bang” reform, efforts to simplify certain parts of the system need to be carefully managed, taking account of potential impacts elsewhere.

2. When speaking of the “benefits” system, we usually refer to payments to help support the income of people with one or more of the following characteristics: incomes that are low relative to their needs (especially means-tested benefits); reduced earnings due to a situation such as unemployment, incapacity or retirement (especially insurance based benefits); and increased needs due to a situation such as disability or having children, meriting a transfer from people without these needs even for the non-poor (universal benefits). A significant complication since 1998 and especially since 2003 is that personal tax credits share key characteristics with payments labelled as “benefits”. In particular, the 2003 reform made tax credits part of the system of providing income for people outside work, for families with children. It would be hard to find a logic other than pure labelling that distinguished these tax credits from benefits in terms of overall purposes, and thus it is impossible to talk sensibly about simplifying benefits without considering tax credits as part of the equation.

3. This submission makes selective points about the benefits and tax credit system that has emerged from JRF’s recent research and analysis. It does not try to give a comprehensive analysis of the system, nor make a general proposal for reform.

ORIENTATION OF THE BENEFITS SYSTEM

4. In recent years, the understanding of the purposes of the benefit system has evolved, moving away from the idea of “social insurance”—a system of protection that people pay into when times are good, and draw out of when things go wrong. Increasingly, this has been replaced by the notion of a means-tested “safety net” designed to avoid destitution on condition that people behave in certain ways. The latest formulation of this ethos is in the Freud Report’s orientation towards “reducing dependency”. This puts a high emphasis on creating behavioural incentives, with less attention paid to what level of benefits will provide a decent standard of living. Freud appears to be suggesting a simplified set of benefit levels, with a personal allowance sufficient to cover basic living costs for client groups, yet also raises concerns about whether this might erode work incentives.

5. Whatever one thinks about this balance, it is important to note that the current orientation of the benefits system does militate towards complexity. The desire to target resources only to those who most need them creates complex forms of means testing. The desire to keep the basic level of benefits down and only provide extra resources for those with extra needs also helps create a more complex system than if basic entitlements were more generous. This is seen for example in the number of people who have to claim housing benefit, which must relate to means and needs, in contrast to other countries where some or all of housing costs can be afforded from general benefits. The desire to influence behaviours also creates new forms of complexity, in terms of the conditions that have to be met in order to qualify for benefits. The difficulty with the suggestion by Freud that benefits be simplified into one or two rates is that if these rates are kept to a minimum, extra needs for individuals could go unmet.
A Simple Question for a Simpler System: What is an Acceptable Minimum Income?

6. Any reform aiming to ensure that the benefits system offers an adequate basic income on a simple basis to those who need it faces a fundamental question that has not been systematically asked by any contemporary UK Government: how much is adequate? The lack of a method for defining a socially acceptable minimum has been particularly evident in recent years, when poverty measurement has been expressed mainly in terms of minimum relative incomes, while benefit upratings have been largely based on price inflation and thus have lost ground relative to contemporary norms.

7. The Joseph Rowntree Foundation’s current project on minimum income standards will for the first time provide a comprehensive measure of a minimum income standard for Britain. Led by judgements made by members of the general public of a list of items that everyone should be able to afford, and informed by expert knowledge about matters such as nutritional needs for a healthy life, this will provide a baseline of minimum income needs for each family type. This will suggest a simple foundation informing a future benefit system, but it will not get rid of complexity. Saying what minimum income we would not want any family type to fall below is not the same as saying that this income will be sufficient for all families of that type, as extra needs caused for example by disabilities or living in a remote area may mean that some families would have to have supplements to a basic income in order to achieve an acceptable standard of living. More information about the Minimum Income Standards project, which will report early next year, can be found at http://www.jrf.org.uk/knowledge/wip/record.asp?ID=804624.

The Structure of Entitlements for Individuals and Work Incentives

8. Turning to a consideration of the existing benefits and tax credits system, one can distinguish issues about the administration, labelling, delivery and take-up of benefits from issues about the overall structure of entitlements. A first question is whether entitlements are fair, serve their key objectives and avoid creating disincentives to work.

9. An important aim of the benefit system is to provide income to people when they are not working, without creating a perverse incentive to remain outside work. According to analysis carried out for the Foundation by the Institute for Fiscal Studies, there has been an overall improvement of work incentives in the past quarter century. This is not surprising, given (a) that the basic level of many out of work benefits have not risen in line with earnings and (b) that families with low incomes inside work have benefited from supplements to their incomes (first as benefits and now as tax credits) which have grown greatly in value. However, the IFS also points out that improvements in work incentives have been uneven, and have declined since 2000.

10. In structuring the system, governments have had to balance the priorities of:

(a) Providing an adequate income baseline;
(b) providing incentives to work rather than not; and
(c) maintaining incentives and rewards to increase earned incomes within families, whether by having more people within the family working, increasing an individual worker’s hours or investing and training or career development to improve pay.

Some of the trade-offs involved are illustrated by Figure 1. In section A of the diagram, there is only a small difference between minimum incomes inside and outside work. Reducing the latter would deepen poverty; increasing the former, as section B, by giving tax credits to people in work on low incomes, reduces the “employment disincentive” but increases the “in-work disincentive”, by raising withdrawal rates on increased earnings. This can be addressed, as in section C, by reducing the rate at which tax credits are withdrawn, but that would cause people further up the income scale to receive tax credits and extend the number having relatively rapid withdrawal of income.

27 Mike Brewer and Andrew Shepherd (2006), The poverty trade-off: work incentives and income redistribution The Policy Press.
Ev 156 Work and Pensions Committee: Evidence

Figure 1 – illustration of work incentive trade-offs

A. Small incentive to work
B. Larger incentive to work but steeper withdrawal rate
C. Larger incentive to work with more modest withdrawal rate

11. A first impact of tax credits has therefore been to shift disincentives from the incentive to work to the incentive to improve earnings. However, the extension of the Child Tax Credit (CTC) to include non-working families in 2003 has potentially affected the incentive to work for families with children. In particular, the more generous uprating regime applying to the CTC than to the Working Tax Credit (WTC) could reduce over time the size of the reward for working relative to baseline incomes. The IFS work shows that in fact, both the incentive to work and in-work incentives, while higher today than in 1979, have reduced somewhat since 2000.

12. Another piece of modelling analysis, supported by JRF, looking at the lifetime effects of the tax and benefits system, showed that the poverty trap is more pervasive than might be concluded from a static picture.28 This work concluded that only better jobs with better pay and earnings could allow people to escape lifetime poverty, and that while tax credits can give a temporary boost, many people claiming them have unstable working lives that cause them to dip in and out of poverty.

13. The recent experience of setting entitlements thus shows that it is hard to achieve all objectives simultaneously. However, it also raises some particular issues that could be addressed more directly in the development of benefit policy—notably the nature of “discontinuities” in entitlement and the system of uprating.

Discontinuities

14. One kind of discontinuity in our present system occurs at the transition from out-of- work to in-work support. People working just a few hours a week lose benefit pound for pound (above a small disregarded portion of income), but once they are working 16 hours (for lone parents) or 30 hours (for others), they become eligible for the Working Tax Credit. In the case of lone parents, the tax credit can potentially be worth about as much as Income Support, meaning that net income for working 16 hours can be greatly higher than for working 15 hours. At present, a JRF project led by One Parent Families is modelling options for making the benefit system work better for people who take on “mini-jobs”.29

15. Another discontinuity, arguably, is at the other end of the tax credit system, at the point at which entitlement to tax credits runs out. Here, a recipient can go from a net income withdrawal rate of nearly 70% to a withdrawal rate of 33% by earning a pound more. A radically different structure proposed by supporters of a “citizens income” would give people a basic minimum income and have a constant rate of taxation thereafter. This would mean a higher withdrawal rate for most taxpayers, but an end to all situations where people lose most of their income at the margin (excluding the effect of Housing Benefit and Council Tax Benefit withdrawal). If the two main objectives of the tax and benefit system were to avoid very high disincentives and to maximise simplicity, such a system would have its attractions. Its big difficulty, however, would be a much higher “headline” basic rate of tax. In 2006, JRF together with IFS calculated the combined income tax and national insurance contribution rate required, in a “flat tax” system incorporating tax credits, as 46% (compared to the current basic rate tax plus NI rate of 33%).30 While such a reform seems

29 For details see http://www.jrf.org.uk/knowledge/wip/record.asp?ID = 805032
politically inconceivable, it was interesting to note that no middle-income families or families with children would lose substantially from such a system: the only big losers would be higher-income families without children.

**Uprating**

16. One of the greatest, yet least noticed, anomalies in the present benefits system is the way in which rates are increased from one year to the next. Regimes for different benefits and tax credits vary from increasing in line with earnings to not increasing at all, with at least five variants, as shown in the following table:

<table>
<thead>
<tr>
<th>Current uprating “default” basis</th>
<th>At least in line with average earnings</th>
<th>Inflation or £2 a week, whichever is higher</th>
<th>RPI inflation</th>
<th>RPI excluding housing costs</th>
<th>No increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examples</td>
<td>Pension Credit guarantee element and Child Tax Credit child element</td>
<td>State Retirement Pension</td>
<td>All contributory benefits and some non-contributory ones including Child Benefit.</td>
<td>Income Support, Jobseekers Allowance, Housing Benefit, Council Tax Benefit.</td>
<td>Child Tax Credit family element, income disregard for Working Tax Credit</td>
</tr>
</tbody>
</table>

These differences go relatively unnoticed because they do not, for the most part, involve recipients becoming worse off. The differences are only important over very long periods of time, but here they have been very important indeed. Where benefits are uprated in line with prices rather than earnings, this may mean only foregoing a 2% rise in a single year, but potentially a 50% rise in a generation. Indeed, over the past 25 years, relative poverty has deepened in large part because basic benefits (e.g., the single rate of Income Support/Supplementary Benefit) were as much as 40% lower, relative to earnings in 2006 than in 1981.

17. A simplified benefits system may potentially reduce these anomalies. A current JRF project based at the University of Essex is looking into the implications of different systems of benefit uprating, modelling various options and making international comparisons. To a large extent, differential uprating policies may be seen as a method of gradually restructuring entitlements over time without creating too much disruption to the system, but if so there is a case for making these decisions and the rationale for taking them more explicit.

**Delivery Mechanisms**

18. Claiming the benefits to which one is entitled has long been a complex business within the UK benefits system. Tax credits were intended to bring improvements but appear to have done the reverse. For many people they have brought one extra piece of complexity without bringing them out of other systems—such as housing benefit and income support—which have complexities of their own.

19. Other organisations making submissions are likely to bring details of how benefit administration works out in practice. JRF looked particularly at the issue of the timing of assessment and payment at the time of the introduction of the 2003 tax credit reforms, drawing on international experience. This review suggested that annual assessment is a difficult thing to achieve without an extremely “light touch” approach to earned income, which is characteristic of Canada (where previous years’ earnings are used without subsequent adjustment) but not Australia (which is more like the UK system. The experience of the system seems to confirm that we need either a lighter touch tax credit regime or a better integration with the benefits system.

**Work and Social Participation**

20. The present UK tax and benefit system makes a sharp distinction between people who are “in work” and those who are “out of work”. This is based to some extent on whether people are working more than a certain number of hours, and as mentioned above if this is less than 16 they are treated as being part of the out of work benefits system. One consequence of this is that they tend to have a disincentive to do any work at all, and to be treated literally as “inactive” and to some extent “incapacitated”.

31 For details see http://www.jrf.org.uk/knowledge/wip/record.asp?ID=804814
32 Peter Whiteford, Michael Mendelson and Jane Millar (2003) Timing it right? Tax credits and how to respond to income changes York: Joseph Rowntree Foundation (out of print, but available online as free pdf at www.jrf.org.uk)
21. JRF studies on social participation and on the informal economy suggest that such a sharp dichotomy between “working” and “inactive” people is not helpful. A study on “co-production” looked at the process whereby clients work alongside professionals as partners in the delivery of services. One of its conclusions was that the benefits system needs to be able to provide incentives for those outside paid work to get more involved in their neighbourhoods without endangering their basic income.33

22. Another report34 looked at people’s involvement in the informal economy. Often such involvement came about because of difficulties in moving easily in and out of the formal economy, which those interviewed would have preferred to be involved in. Participants believed that the tax and benefit system created disincentives to returning to formal work. In particular, fears about inefficiencies in the system made participants wary of starting formal work. Participants had often experienced delays in receiving benefits and failure to reinstate Housing Benefit on change of circumstances. As a result, some were not willing to take what they perceived to be a risky leap into the uncertain world of formal employment. Many also felt they would be no better off when working formally rather than claiming benefits, despite the introduction of measures such as tax credits, as they would lose a range of other benefits such as free prescriptions and free school meals if they started formal work. This suggests that work incentives remain an important issue.

**Alternatives to Means-Testing?**

23. There is wide consensus that a growth in means-testing has made it harder for the benefits system to do its job well. This is partly because of stigma, partly because of complexity introduced by the testing of means and partly because of potential disincentives to earn or to save. On the other hand, the desire to target resources at measures that will reduce poverty often leads to extra means testing.

24. While a trade-off between targeting and complexity will always exist, there are some ways in which it may be possible to reduce means-testing while still maintaining a certain amount of focus. One is by putting resources into universal benefits whose claimants are more likely than average to be poor. An example of this is child benefit for larger families. JRF work has shown that such families are so much more at risk of poverty than the average family that raising child benefit for additional children can give comparable value for money in reducing child poverty to income-targeted measures.35 Similar arguments apply to certain disability related benefits.

25. It may also be possible in some cases to reduce the need to claim some means-tested benefits. Council tax is a case in point. A recent JRF study on the impact of the tax on low income families36 showed that users were exasperated by the sheer complexity of council tax benefit and of its interaction with other benefits: “They couldn’t make it more complicated if they tried”, said one user. Creating a more automatic reduction of council tax to people on low incomes as suggested by the Lyons Review, and/or ensuring that the structure of the tax makes it less likely that low income families face high bills, might reduce this burden of means-testing within the benefits system. Similar arguments can be applied to housing benefit. In particular, the creation of more affordable housing, targeted at families in need but with access not narrowly means-tested, could reduce the burden placed on a means-tested housing support system. It is worth remembering in this context that the large growth in housing benefit dependency two decades ago came about in large part because of the reduction of revenue subsidies in the public sector and of rent regulation in the private sector.

5 April 2007

**Memorandum submitted by Housing 21**

1. **Summary**

Housing 21, as a specialist housing, care and support provider for older people across England has an interest in promoting the financial wellbeing of our customers.

This report starts by outlining Housing 21’s response to promoting uptake and awareness of benefits as evidence of good practice with a group that is often “hard to reach” for a number of reasons.

The report then goes on to cover key points of the Inquiry that concern older people’s issues specifically and highlights the following points, using practice based case studies to illustrate examples and recommendations for solutions where appropriate:

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The Benefit Simplification Unit, the Freud review and the DWP Simplification Plan—This section looks at the various published reviews on simplifying the benefits system and points out that there has been little focus on older people’s issues in any of this work.

Accessing the benefits system: This section explores the complexity of the system, the number of different benefits, grants and loans available and secondly the range of executive agencies administering different benefits.

Information and communications: Sources of information, links between different benefits administered by different agencies and communication between executive agencies and claimants.

The disincentives for older people to take up work: The demands of the UK labour market are increasingly for a flexible workforce. Many older people provide vital (paid and unpaid) work. However, for older people to contribute effectively to the workforce then the benefits system needs to work more flexibly and swiftly. We offer a case study example of how the existing process acts as a barrier to older people contributing to the labour market.

Conclusion: Fundamentally the Select Committee will need to decide whether the existing complexity of the UK benefits can best be streamlined or clarified. If it is fundamental that benefits are of necessity complex and primarily means-tested, then the Committee need to explore ways of resourcing better and more accessible information, and resourcing specialist outreach, advocacy and advice agencies and services to help people navigate through the complexities of the system and claim their full entitlement.

2. BACKGROUND AND CONTEXT—HOUSING 21’S UNIQUE RESPONSE TO WELFARE BENEFITS UPTAKE FOR OLDER PEOPLE

Housing 21 employs two welfare benefits managers who work across England. Uniquely in the specialist housing sector, Housing 21 recognises the key role that financial wellbeing has in sustaining an older person’s quality of life and maintaining as independent a lifestyle as possible. The specialist welfare benefit manager posts were created to ensure that Housing 21 tenants had the advice, information and assistance needed to help them to access the benefit system, to navigate a route through all the complexities, to promote uptake and to ensure they were receiving their correct benefit entitlement.

I work with staff and tenants across the country to increase uptake of benefits via a number of mechanisms:

- Targeted benefits advocacy work with tenants via a rolling programme of “court” (housing complex or scheme) based campaigns.
- Development and delivery of front-line staff training.
- Dissemination of information through a range of communications media including an annual benefits newsletter to tenants and “benefit information centres” on courts.
- Advice and information to staff via a range of methods—workshops at regional offices, briefings in Housing 21 internal communications.
- Policy development work ensuring the “financial inclusion of older people”—eg our role in individual budgets, SureStart and LinkAge Plus.

The benefits team has been in post for nearly six years. Reported performance statistics to date show that the direct uptake work alone has raised over £3.5 million in additional annual income for Housing 21’s tenants over the past five years. Benefit gain as a result of the secondary work, provision of training and information, cannot be quantified in this way.

3. THE BENEFIT SIMPLIFICATION UNIT, THE FREUD REVIEW AND THE DWP SIMPLIFICATION PLAN

3.1.1 Benefits Simplification Unit

Thus far, none of the work done by the Benefit Simplification Unit has been specifically focussed on older people. Furthermore, older people are absent from the discussion and recommendations in both the DWP Simplification Plan and the Freud review.

The Benefit Simplification Unit was set up in 2005 and employs five members of staff. In 2006, the Benefit Simplification Unit published a document entitled “Simplification—Guide to Best Practice”. This is a useful document with helpful and practical suggestions but the suggestions, in the main, do not appear to have been taken on-board.

An example of a simplification proposal on a particular benefits eligibility anomaly which has not been put into effect is shown on page 7 of this document: “...customers having to establish that they are entitled to Carers Allowance in order to receive a Carers Premium even though the overlapping benefit rules mean they will not get the Allowance.” This at least recognises the problem but people still have to go through this procedure so it would appear that nothing has changed, despite the publication of this document. The
recommendations in this report are often useful, informative and achievable, yet the findings do not appear to have been widely disseminated. The Benefits Simplification Unit should have more resources for dissemination and promotion of good practice.

In January 2007, a further document was produced entitled “Official Error Task Force and Benefit Simplification Unit: Progress Report”. Even though this report was released on 24 January 2007 it has only been deposited in the House of Commons Library and this means it is not available online and as the Library is not open to the public it is difficult and frustrating for the general public and advisers to ascertain exactly what progress has been made.

3.1.2 Freud Report

The Freud report (2007) entitled “Reducing dependency, increasing opportunity: options for the future of welfare to work” sets out a range of cost effective recommendations to improve the financial wellbeing of the most socially excluded groups. The first sentence of the foreword states this purpose clearly “This report makes a series of recommendations to reduce the number of the most socially disadvantaged people in the country.” However, it would appear from this report that it does not class older and/or retired people as “socially disadvantaged”, which in reality is often the case. 1.8 million pensioners, after housing costs are in poverty (Age Concern, Key facts & statistics 2006) and 68% of pensioner households depend on state benefits for at least half of their income (Age Concern, 2006)

3.1.3 Benefits Simplification Plan

In December 2006, the DWP produced its simplification plan for 2006–07. I would like to refer to two statements on page 23 of this document. The first reads, “The Department has a strong ambition to improve the efficiency and effectiveness of the system of working age benefits. The present benefits system for people of working age is complex.” The second statement reads, “In December 2005, the Permanent Secretary set up a new Benefit Simplification Unit (BSU). It is designed to act as a catalyst for driving forward simplification across the system of working age benefits to challenge existing complexity and to ensure that the benefits system operates in ways that customers and staff can understand.” Both these statements indicate that although the Department recognises that the benefits system is complex, it is only looking at reforming benefits for people of working age, it is not looking to reform benefits for older people.

— Key message: Because of the overarching emphasis of “welfare to work” not enough resources have been targeted into looking at issues specific to older people. Many older people continue to participate in the labour market, and many benefits such as Attendance Allowance and Pension Credit are specific to older people. The Benefits Simplification Unit needs to “age-proof” its work and address implicit age discrimination. It also should take account of key issues associated with older people and benefits such as the work started by the Link-Age Plus programme.

4. Accessing the Benefits System

4.1.1 The sheer range of benefits

The sheer range of benefits, loans and grants which older people may potentially qualify for is confusing. In total there are 33 different kinds of benefit available and a further 11 types of grants or loans that are also available to older people and other groups. This causes problems for people trying to access the benefit system as people often do not know what benefits are available, what the entitlement criteria are and how they can apply for them.

4.1.2 Misleading titles and name changes

The names of different benefits are often misleading. For example, Pension Credit is available to people aged 60 and over, irrespective of whether or not the person has retired and is receiving a State Retirement Pension. This means that Pension Credit is available to people who are not pensioners. The confusing title of the benefit and lack of clarity about entitlement is a barrier to uptake.

Another example of this lack of clarity is Attendance Allowance. Attendance Allowance is payable to people who have significant health difficulties that affect them in every day life, but to claim Attendance Allowance it is not necessary to have a carer or helper to “attending” to you. Again this is a barrier to uptake and many older people who would be entitled to this benefit are missing out. Housing 21’s Welfare Benefits Managers statistics on take-up show Attendance Allowance accounts for the largest proportion of income gain amongst our tenant population. The Government estimates that there is currently a 40% underclaim rate for Attendance Allowance.
The fact that benefits sometimes change their name can be confusing for people. In recent years, for people aged 60 and over, Income Support first changed to become Minimum Income Guarantee (MIG) and in October 2003 this then became Pension Credit. Another benefit that has changed its name in recent years is Carer’s Allowance (formerly Invalid Care Allowance).

Key message: Whilst it may be necessary to change the name of a benefit, it is important that the new name does not add to or compound confusion. Messages about benefits, what they are for and intended recipients need to be communicated clearly and in plain English. For example, a clearer name for Attendance Allowance which explicitly links the benefit to its purpose would help to improve take-up.

4.1.3 Changing eligibility criteria and unequal treatment

There are anomalies in terms of benefits which are withdrawn, replaced or eligibility criteria change. For example, Severe Disablement Allowance (previously Non-contributory Invalidity Pension) is a benefit that is no longer payable to new claimants. People who were already receiving this benefit continue to receive it, however new claimants are no longer eligible to claim this benefit and there is not a “like for like” replacement. It is however, accepted that provision was made in the Incapacity Benefit legislation for a level of non-contributory Incapacity Benefit to be paid to those people who, due to severe disablement, would be unlikely to build up a National Insurance Contribution Record in their own right. This potentially could mean that you have two people in identical circumstances where one person gets this benefit as they were receiving it prior to the cut-off date and the other person does not as they did not realise they could apply for this benefit until it was too late.

There are two separate elements of Pension Credit. The Pension Credit Guarantee Credit is available to people aged 60 and over, the Pension Credit Savings Credit is available to people aged 65 and over. This age discrepancy often causes confusion amongst people.

Case Study 1—Pensions Credit Savings Credit entitlement: a worked example

How does someone work out if they will be entitled to Pension Credit Savings Credit?

This is always a complicated calculation for people to understand and as a result of this there are a lot of people who would be entitled to this benefit who are not currently claiming this because they recognise that their income exceeds the Pension Credit guarantee rate and it is not clear that the savings credit may be paid even if there is not an entitlement to the guarantee credit.

The starting point for this calculation is to find out the Savings Credit Starting Point and the Savings Credit Standard Amount.

Once you have these figures, you then need to ascertain the claimants weekly income and compare these to the Savings Credit Starting Point and the Savings Credit Standard Amount.

For every £1.00 of income between the starting point and the standard amount, the claimant will be entitled to 60 pence Pension Credit Savings Credit.

For every £1.00 of income above the standard amount, Pension Credit Savings Credit will reduce by 40 pence.

An example of this is shown below.

If a single person aged 65+ have a weekly income of £125.00

Savings Credit Starting Point is £84.25

Savings Credit Standard Amount is £114.05

Income between the starting point and standard amount is £29.80. Therefore for every £1.00 of income between these points, claimant is entitled to 60 pence Savings Credit:

£29.80 x 60% = £17.88 per week Pension Credit Savings Credit.

As the claimants income is above the standard amount (£125.00—£114.05) by £10.95 per week then the Pension Credit Savings Credit award of £17.88 will reduce by £4.38 (£10.95 x 40%).

Therefore the actual Pension Credit Savings Credit award will be £17.88—£4.38 = £13.50 per week.

This is a difficult calculation for people to understand and as a result of this, people are often not aware they will be entitled to this benefit and as such are missing out on money that is due to them.

Key message. The question that needs to be addressed is what purpose does this discrepancy based on age serve? It would certainly be clearer to have one age as a baseline for eligibility. If this is not feasible then more resources need to be put into direct promotion and take-up advice. There need to be more specialist advisory posts to support people in navigating their way through the benefits maze.
4.1.4 Complexity of eligibility and shifting criteria

Small changes in financial circumstances can have a significant affect on differing benefit entitlements, and this impact on eligibility differs from benefit to benefit. It is unclear to many older people which changes are “significant” and need to be reported. For example, a small increase in savings or capital is not classed as a significant change of circumstances and will not affect entitlement to Pension Credit, but this same increase in savings will have an impact on entitlement to Housing Benefit and Council Tax Benefit if Pension Credit guarantee credit is in payment. (NB If it is only Pensions Credit (savings credit) then any and all changes will have to be reported for an adjustment to be made to Housing Benefit/Council Tax Benefit.)

Entitlement rules for various benefits are so different they can be bewildering. For example, the capital limit for Income Support is £8,000, for Housing Benefit and Council Tax Benefit the capital limit is £16,000 and for Pension Credit there is no capital limit. The discrepancy between the capital limit for Pension Credit and that for Housing Benefit/Council Tax Benefit is particularly confusing as someone with Pension Credit (Guarantee Credit) will be entitled to maximum Housing Benefit/Council Tax Benefit even if their capital exceeds the £16,000 limit that ordinarily applies to stand alone H/CTB claims. From our professional experience, we have had several examples where local authorities have interpreted this wrongly and much correspondence has been necessary to rectify the situation. This causes confusion for many older people, particularly as all these benefits are means-tested.

Many minor changes and shifts in entitlements are not cost effective for claimants or for the state. For example, when someone reaches the age of 80, their State Retirement Pension increases by 25 pence per week. If that person is in receipt of Pension Credit savings credit, Housing Benefit and Council Tax Benefit then all these benefits will need to be reassessed to take into account this increase in State Retirement Pension. Once these benefits have been reassessed, Pension Credit savings credit, Housing Benefit and Council Tax Benefit will reduce by a total of 22 pence per week, meaning that the claimant is actually only 3 pence per week better off. (If someone is getting Pension Credit (Guarantee Credit) and continues to be entitled to this after the 25p addition to their retirement pension then their Housing/Council Tax Benefit will not be affected. This case scenario only applies if Pension Credit savings credit or no Pension Credit at all is in payment.) The time and cost involved in processing these changes and then sending out notification letters for all these benefits and a revised Council Tax bill far outweighs the actual cost to the state.

— **Key message (1):** If it is not possible to streamline entitlements then information needs to be clearer and the different agencies responsible for administering different benefits need to be upskilled in terms of recognising these anomalies and coordinating their work with each other and the claimants they serve.

— **Key message (2):** Benefit anomalies need to be reviewed so that the money spent is more effectively targeted to the people who need the support.
4.1.5 Complexity of calculations

The Pension Credit Savings Credit is a complicated calculation and people are often not able to work out whether or not they are entitled to this benefit.

Case Study 2—the complexity of the benefits system for a retired couple

A couple who are both aged 70+. They currently each receive State Retirement Pension and Pension Credit Guarantee Credit.

Mr has significant health difficulties that affect him in his everyday life.

With assistance, he applies for Attendance Allowance. The result of this application is that a successful claim has been made and he is entitled to Attendance Allowance.

They are advised that the award of Attendance Allowance will be disregarded as in income in the calculation of entitlement to Pension Credit Guarantee Credit.

Further advice was given that the wife should apply for Carer’s Allowance for looking after her husband as she fulfills the qualifying criteria. However, it was advised that even though she should apply for this benefit, she will not receive it due to the overlapping benefit rules. (Carer’s Allowance will not be paid if the person providing the care is in receipt of State Retirement Pension of more than the rate of Carer’s Allowance)

Even though she will not actually qualify to receive Carer’s Allowance because of the overlapping benefit rules, by fulfilling the qualifying conditions she will have an underlying entitlement to Carer’s Allowance which will entitle them to an extra premium to be included in the Pension Credit Guarantee Credit calculation which will result in a further increase to their Pension Credit Guarantee Credit of £26.35 per week.

The notification letters that are sent out when a claim is made under these circumstances for Carer’s Allowance are often confusing for people.

The notification letter reads as follows:

“A decision has been made on your claim for Carer’s Allowance.

The details of the decision are as follows:
You are entitled to £46.95 a week from 12/02/2007.
We cannot pay you from 12-02-2007. This is because the amount of Retirement Pension you get is more than the amount of Carer’s Allowance we could pay you.”

This notification letter is often confusing for people as in one sentence it is saying that there is an entitlement to this benefit and in the next sentence it is saying that it cannot be paid.

It should also be noted that if the Retirement Pension is being paid at a rate lower than the potential entitlement to Carer’s Allowance then Carer’s Allowance will be paid at an amount that increases the overall payment of the two benefits to £46.95—the difference will be deemed extra income and will reduce the potential increase of means-tested benefits by the amount of the increase to the Retirement Pension—yet more evidence of complexity. People often find it difficult to understand how applying for a benefit they will not be entitled to receive can increase their entitlement to another benefit.

— Key message: Clearly there is a need to resource information advice and advocacy services to help older people navigate their way through the benefits system. For example, to help with clarity would be much better if, when Attendance Allowance is paid to one or both of a couple, the other (or both of them) should automatically be entitled to the extra “Carers” amount that increases the means-tested benefits of Pension Credit, Housing/Council Tax Benefit.

4.2 “Making the links”—Information and communications

4.2.1 Fragmented information provision

Though the Sure Start for Older People initiative and Link-Age Plus schemes are working to address the provision of better information for older people, there are still many issues to resolve. Not knowing where to start is the first barrier to benefits uptake. People often encounter problems with the benefit system as even if they know what benefits are available they are not always aware as to which executive agency deals with the type of benefit that they are enquiring about. There are six executive agencies that currently deal with benefits, it is not always clear as to which agency deals with which type of benefit. Currently they are as follows: Disability and Carers Directorate for Attendance Allowance, Disability Living Allowance and Carers Allowance, the Pension Service for Retirement Pension and Pension Credit, Jobcentre + for Income Support, Incapacity Benefit and Job Seekers Allowance. The Veterans Agency, local authorities, HM Revenue and Customs and the Department of Trade and Industry also administer various loans and grants. In fact, a claimant or adviser has to deal with two agencies just to deal with Attendance Allowance and Pension Credit.
Information relating to benefits is not always readily available to people, particularly the most excluded members of society. Information relating to benefits is now primarily available on-line, however the vast majority of older people and the most excluded members of society often do not have easy access to the Internet to enable them to obtain necessary information. Additionally, if people do have Internet access, it can still be intimidating trying to find the relevant information. The DWP currently produces 178 different leaflets and guides to benefits. Compounding the confusion, there are a number of different websites available giving information on different benefits. People will need to look at a range of different websites depending on what type of benefits they require information on.

The application forms for some benefits can often put people off claiming their entitlements. For example, the Disability Living Allowance claim form is 40 pages long and can be very time consuming to complete correctly. The Attendance Allowance claim form was redesigned in December 2005 to try to simplify the claim process, but the new simplified claim form is still 20 pages long which is still daunting for many of older people.

4.2.2 Keeping claimants informed

Information about benefit claims is often unnecessarily obtuse. Benefit notification letters are often too long and not easy to read and interpret for older people. For example, the Attendance Allowance decision letter normally consists of four or five pages, as does the Pension Credit decision letter. It would be better and clearer to have a standard one or two page letter which sets out clearly the terms of the claim and what happens next. Currently, people in advocacy, advice and support roles (such as Housing 21’s Welfare Benefits Team) have to effectively translate published information into terms that older people who are often frail or have sensory impairments are able to understand. If it is not possible to make information clearer and more concise, then more resources need to go into advocacy and advice.

- **Key message (1):** How can we address the volume and fragmentation of benefits information? If the system is necessarily complex, then work needs to be done so that the infrastructure—agencies administering different benefits, information sources, and media are streamlined. The “single assessment process” on social care assessments, linking a range of different agencies may be a model which can be deployed or developed in terms of benefits assessments. For example, the range of different agencies need to establish and further develop “data sharing protocols” so that individuals can be assessed holistically and obtain a seamless service. Again, if this is not possible, then more resources need to be deployed in terms of specialist advice and brokerage services; advisers who work directly with older people and liaise with the range of stakeholders involved in the assessment and administration of benefits. Initially the Pension Service was supposed to be offering a streamlined service and we were told that local staff would be available on a regular basis to hold “benefit surgeries” and to visit people at home to complete all benefit claims that were appropriate to an individual. However, this was significantly downgraded for budgetary reasons after 2005 even though it is widely acknowledged that the Government target for uptake of Pension Credit is not being met.

- **Key message (2):** Secondly information provision should be reviewed. When producing leaflets and information, the Government must recognise that on-line resources are not appropriate for all, particularly hard to reach groups. Older people missing out on benefits are likely to be amongst the most socially excluded, and it is unlikely that they will have access to the Internet. Some resources should be used to produce hard copies of information that can be distributed to community centres, doctors surgeries and facilities which older people actually use. Currently, advice services, and various voluntary organisations have to print out the information. These bodies are often under severe resource pressures.

- **Key message (3):** The Internet is of course a valuable resource, but must be seen as one of a range of information sources. However, on-line benefits information resources can be improved considerably. A “one stop shop” web portal (“Benefits Direct”) could be developed, using a model similar to the NHS Direct website which has improved information provision and enabled the NHS to prioritise and resource responses to enquiries and prioritise interventions more effectively.

- **Key message (4):** The links between certain types of benefits are not always clear and straightforward for people. For example, people are often not aware that a successful claim for Attendance Allowance impacts favourably upon eligibility for other benefits, such as “passporting” for new or increased Pension Credit, Housing Benefit and Council Tax Benefit. Communication and information sharing between executive agencies isn’t always as good as it could be. Claimants find it very frustrating and time consuming having to repeat and duplicate information between different agencies. Data sharing protocols to improve joint working and speed up assessments should be developed.
5. DISINCENTIVES TO LABOUR MARKET PARTICIPATION

5.1.1 Older people and employment

The modern UK economy demands a flexible workforce. Many people over state retirement age are paid or unpaid (voluntary/informal) workers. As the population ages, more and more people who are active and over 60 will wish to continue to work. The benefit system currently does not help or encourage older people who wish to return to work. For example, if someone is in receipt of benefits such as Pension Credit, Housing Benefit and Council Tax Benefit and they return to paid employment this can cause several problems in terms of their overall income. Firstly, the fact that they are now in paid employment means that means-tested benefits are reassessed to take this into account. As a result of this reassessment entitlement to these other benefits will reduce. The case study below gives a full breakdown of this example.

Case Study 2—example of disincentives to work

A single person aged 70 years old. The claimant currently receives a State Retirement Pension of £84.25 per week. On top of this he is entitled to Pension Credit Guarantee Credit of £29.80 to bring his weekly income up to £114.05 per week. He also receives Housing Benefit of £65.00 per week and Council Tax Benefit of £12.00 per week.

The claimant decides to take a part time job earning £80.00 per week.

As a result of this he will lose his entitlement to Pension Credit Guarantee Credit (£29.80 per week). His Housing Benefit will be reassessed and this will reduce by £17.74 per week. His Council Tax Benefit will also be reassessed and this will reduce by £5.46 per week.

As a result of taking the job paying £80.00 per week, benefit entitlements will reduce by a total of £53.00 per week.

As entitlement to Pension Credit Guarantee Credit has been lost he will also lose entitlement to full help with NHS healthcare costs and may have to contribute to the cost of NHS products such as glasses and dental treatment.

State Retirement Pension is a taxable benefit. The fact the claimant is now working and has increased his weekly income he may now be liable to pay tax thereby reducing his disposable income even further.

As a result of the Pension Credit Guarantee Credit being reassessed and the claimant no longer having an entitlement to this benefit, the Pension Service would notify the local authority that this benefit has ceased. The local authority would then cancel the claim for Housing Benefit and Council Tax Benefit and invite the claimant to re-claim based on his new circumstances.

This would involve the completion of a new application form for Housing Benefit and Council Tax Benefit.

The claimant would also have to complete a claim form to claim assistance with healthcare costs under the NHS Low Income Scheme.

Processing of these new claims, particularly Housing Benefit and Council Tax Benefit can often be a lengthy process and could result in the claimant falling into rent arrears and potentially suffering financial hardship.

When people realise how much benefit they will lose and the potential problems arising from delays in processing the necessary new claims they are often put off resuming paid work.

— **Key message (1):** Reassessment of benefits is of course an indelible feature of the current targeted and means-tested system. The main concern is about how long it often takes for these reassessments to happen, particularly with regard to Housing Benefit and Council Tax Benefit. The time delay could mean that someone could potentially find themselves in financial hardship whilst they await the decisions on the reassessments of benefits following a return to paid work. To address this, the benefits system needs to be flexible to mirror the labour market, and the assessment process for claims needs to be speeded up.

— **Key message (2):** The allowances to people who are in paid work should be reviewed so the disincentives to work can be assessed more effectively.

6. CONCLUSION

This submission has given an overview of issues about simplifying the benefits system for older people. The main recommendations from this are clear. If the system is necessarily complex and will continue to involve means-testing across a baffling range of eligibility criteria then the following solutions will help to ensure that the maximum number of older people are claiming their full entitlement
6.1 Accessible information

— There needs to be a “one stop shop” web based portal for benefits information across the range of agencies and different benefits. A model for this could be the NHS Direct portal which has enabled information and advice provision to be targeted and interventions more cost effective.

— Though technology is moving fast, many of the most socially disadvantaged groups and the voluntary sector do not have the resources to access computer technology or to print out leaflets. Some key benefits information should be made available in hard copies and in places within the community that older people use——eg GP surgeries, community centres, housing schemes.

— The myriad of different agencies who deal with benefits administration should improve joint working criteria. Data sharing protocols should be developed so that older people do not have to liaise with a range of different agencies. Again a “one stop shop” advice brokerage is useful in this respect.

— The good work of the Benefits Simplification Unit needs to expand to include older people, and to be disseminated more effectively.

6.2 Advice, advocacy and outreach

— If the benefits system retains its current level of complexity, then it is vital that specialist advice posts are resourced so that “hard to reach” older people are enabled to claim their maximum entitlement.

— More resources need to be deployed on outreach work so that the most socially disadvantaged groups are reached.

— Benefits advisers have a key role in enabling people to navigate through the complexities of the system, the range of benefits which often have competing eligibility criteria. Every stage of the current process needs to be supported by a brokerage/advocacy/interpreting service so that claims forms, the claims process and outcome notifications are clear and understandable.

That concludes Housing 21’s submission, though I would welcome the opportunity to give oral evidence should you require further information on the issues raised here.

5 April 2007

Memorandum submitted by PCS

SUMMARY

1. The Public and Commercial Services Union (PCS) is the largest trade union in both the civil service and the Department for Work and Pensions (DWP). PCS represents over 330,000 people including 80,000 in the DWP.

2. PCS welcomes the Select Committee’s inquiry and is happy to supplement this submission with further information and oral evidence.

3. PCS welcomes any new policy that will improve the service that our members are able to provide for benefit claimants. Simplifying the benefit system should be one such policy. However, we are concerned that the motive behind this initiative may be finding financial savings in both benefit expenditure and administration, rather than improving the benefit system for citizens.

4. We believe that any debate around simplifying the benefit system should start with the elimination of poverty, especially child poverty, as its primary consideration. The value of benefits has been allowed to decline year on year as a result of the policy of annual increases being linked to prices rather than wages. The result is that benefits levels are now scandalously low and effectively condemn millions of citizens into a life of poverty. Any proposals to simplify the benefits system must recognise this point and be designed to address it.

5. PCS is also concerned that the ongoing cuts in DWP staffing levels and the DWP estate, and the importance that DWP and ministers attach to meeting headcount reduction targets at the expense of service delivery, will distort and damage any serious simplification plans. Proper staffing levels and resources, including investment in appropriate staff training, are an essential element of the process.

THE CONSEQUENCES OF HISTORICAL BENEFIT CHANGES AND REFORM ON THE CURRENT SYSTEM

6. Since the Welfare State was created there have been regular reviews, changes and initiatives that have impacted on the benefit system. These changes have tended to be tacked onto the existing basic system, particularly since the computerisation of the various business units. Under-achieving computer systems have led to a significant variation in how people are paid benefits. Staff and managers are compelled to devise
“workarounds” to enable customers to be paid correctly and on time. The lessons of recent failed computer systems in DWP must be learnt. Control of the development and delivery of the IT required for benefit simplification must be retained inside DWP. Any reliance on the major IT companies whose promises to deliver state of the art systems have too often turned out to be empty, must be kept to a minimum.

7. The cancellation of the Benefit Replacement Project has forced DWP to adapt existing computer systems to cope with new changes to the benefit system (eg Employment Support Allowance). One of these existing IT systems is the Customer Management System (CMS) that has been discussed at previous Select Committee inquiries. Given the discredited reputation of the CMS system it is essential that lessons are learnt from its introduction as part of any benefit system simplification. This can only be done by the IT needs of the business being looked at holistically with the necessary planning and financial investment being in place.

8. In terms of changes to the benefit system the most fundamental change came in 1988 with the introduction of Income Support and the Social Fund. Income Support did simplify the old Supplementary Benefit system but only by abolishing a range of additional entitlements that effectively cut the overall value of the benefit. This version of benefit simplification, based on achieving benefit savings and thereby increasing poverty, should not be used as the model for future reform.

9. The introduction of Social Fund on the other hand both complicated the system and contributed to increased poverty by replacing grants with loans for essential items like beds and cookers. Social Fund is expensive to administer and, due to the budget caps placed on Social Fund budgets, delivers different outcomes in different locations. Above all it forces the poorest in society to get into debt just so they can have access to the basic requirements of modern life. Any simplification of the benefit system should include a return to a grant-based system for essential items for Income Support (or its equivalent) recipients.

THE EFFECTIVENESS OF THE CURRENT COMMUNICATIONS BETWEEN THE RELEVANT EXECUTIVE AGENCIES AND CLAIMANTS

10. All of DWP businesses now rely to a considerable degree on contact centres as a primary communication tool with claimants. Yet staff working in contact centres are discouraged from developing a wide knowledge of the benefit system as this can lead to calls being longer than targets permit. Consequently staff are frequently unable to answer benefit queries. Investment is desperately needed to make DWP’s contact centre network work effectively. Investment in staffing levels is needed to end the oppressive working culture where IT systems dictate when staff can leave their desk or take a day off. Investment in staff training is also required to ensure claimants can get the full information they need from a single phone call.

11. The new contact centre organisation undermines improved customer service by the over-emphasis placed on measuring performance by monitoring the processes (eg length of calls with claimants) rather than the outcome that the claimant receives. Staff need to be given back the discretion to decide how much time they should spend on each individual call. Each call is different as each claimant is different. People understand this but IT systems do not. An essential requirement of any simplification must be that claimants can understand their entitlements as they relate to their particular circumstances. This will require well-trained staff with the time and resources to deliver this essential service. Real investment in staff dealing direct with customers by the method of communication most suited to the claimant will not just deliver the right benefit at the right time to the customer. It can also lead to decreases in complaints and appeals that at present divert precious staff resources from ensuring they pay the benefit correctly and on time at the initial claim stage.

12. The new Jobcentre Plus structure is actually creating barriers to effective communication with claimants. The contact centres that take the initial call are now physically and organisationally separated from both the benefit delivery centre where the claim is later processed and the Jobcentre where the unemployed go to sign on. This reorganisation was done in the name of efficiency, yet little thought was given to the customer who has to interact with three separate parts of the organisation where previously their claim was dealt with at one location, where they could call in and talk to someone about their claim if they wanted to. Callers to Jobcentres are now actively discouraged by Jobcentre Plus and claimants who call into a Jobcentre hoping to discuss their claim are turned away. In addition the network of visiting officers that DWP used to have to check on and explain benefit entitlement has been almost completely eradicated.

13. The consequences of these changes has been to make customer service worse not better. A major overhaul of the benefit system would be difficult to achieve effectively within the new Jobcentre Plus structure where proactive customer service provision to champion benefit take-up barely exists.
ISSUES SURROUNDING THE DELIVERY OF THREE TYPES OF BENEFIT IN THE SYSTEM—MEANS TESTED, UNIVERSAL AND CONTRIBUTORY

14. Working people pay heavily into the National Insurance scheme. As a consequence they have a legitimate expectation of financial security when unable to work. The rates of benefit therefore need to be increased in line with wages not prices to provide this and to prevent the slide into poverty that unemployment or incapacity too often means.

15. Universal benefits are popular and simple to both claim and administer. Child Benefit has a near 100% take-up rate, and is an effective tool against child poverty.

16. Means-tested benefits on the other hand are necessarily complicated to both claim and administer as they have to be adjusted for, often quite minor, changes of circumstances on a regular basis. This is best shown by the tax credit system. It is widely acknowledged that the complexity of the tax credit system puts off many people who are entitled to tax credits from claiming them.

17. Above all there has to be a recognition that for many reasons there will always be people who are not able to work at any one time. It is not enough to say that they should find work as the route out of poverty. The Government must also ensure that those reliant on benefits must be assured of an income that lifts them out of poverty.

THE EFFECTIVENESS OF THE BENEFITS SIMPLIFICATION UNIT, PROGRESS OF THE DWP SIMPLIFICATION PLAN AND IMPLICATIONS OF THE FREUD REPORT

18. The DWP Simplification Plan emphasises the benefits for customers and for the Department of simplification. However it does so by placing undue emphasis on efficiency savings, less regulatory processes and staffing reductions. Instead the emphasis behind simplification should be how it can be used to eliminate poverty through well-resourced public services organised with the customer’s needs at the forefront.

19. Our members working in DWP have been particularly hard hit by the Government’s efficiency programme and subsequent job cuts. This has resulted in many of our members moving from work onto welfare through redundancies and greater use of temporary workers. Those remaining face increased workloads, greater pressure to meet targets, increased stress and collapsing staff morale.

20. The privatisation of DWP’s support services like file storage and leaflet provision has led to staff being transferred into the private sector only to be made compulsorily redundant by their new employer within weeks. This enables DWP to claim it is achieving the staff reductions without compulsory redundancies, but instead it is using privatisation to force redundancies via the back door

21. The consequences of this drive to reduce staff, estate and costs in DWP are affecting DWP customers too. The closure of rural Jobcentres may make for a simpler and cheaper system but it ignores the extra cost for the customer forced to travel further to sign on and meet their advisers. As described above the contact centre system may be cheaper to run but is not designed with the customer’s interests in mind.

22. In the Pension Service the efficiency savings are pushing the system close to collapse and depriving many of the most vulnerable members of society from their correct entitlement. At present in the main pension centres responsible for processing pension claims there are between 10,000 and 30,000 pieces of post awaiting action. At one Pension centre there are 10,000 new state pension and pension credit claims awaiting payment. This system desperately needs increased resources. Instead DWP this week have announced the closure of the Pension centre in Bath with the loss of nearly 400 jobs.

23. The Freud report takes the potential damage to the DWP a stage further. The report calls for the privatisation of all of Jobcentre Plus’ employment services for those who have been on benefit over one year. PCS believes this to be unjustified based on the past achievements of Jobcentre Plus in reducing unemployment, including the long term unemployed. We can see no benefit in complicating the system by creating a new network of private and voluntary service providers for the unemployed. Multiple providers of DWP services will confuse claimants and muddy the accountability between DWP and the provider for key decisions such as benefit conditionality. It is a huge gamble to rely on inexperienced, untried and untested service providers as Freud recommends. It is a huge mistake to do this when there is already within Jobcentre Plus a large cadre of trained and experienced advisers with a track record of delivering huge reductions to unemployment through policies such as the New Deal.

5 April 2007
Memorandum submitted by Help the Aged

INTRODUCTION AND SUMMARY

1. Benefit complexity has been and is increasingly a feature of the Welfare system in the UK. Historically complexity has often come about when changes to benefits are made in response to the needs of specific groups or to address perceived unfairness in the system. Such tinkering has arguably made our Welfare system more “theoretically” fair; however, the knock on effect has been to make it harder for the system to deliver on its purported aim of protecting people from poverty and hardship. The more complicated the system becomes the less people engage with it, and in particular those who are most vulnerable often become stranded from help they badly need. Although recent advancements in technology do increasingly mean that a complicated benefit system need not necessarily entail complexity for a claimant. In practice however, complexity does still very much exist on the ground with many individuals still being forced to navigate a benefits maze.

2. For pensioners complexity impacts perhaps most profoundly as many of the individuals who are entitled to benefits may have never claimed a benefit in their life before. As means tested benefits for pensioners have expanded Government has faced an increasing challenge of reaching people, getting them to understand their entitlement, and then getting them to claim. The fact that £4.7 billion lies unclaimed in benefits each year by pensioners is testament to the scale of the challenge; much effort has been made and progress has occurred but there is a long way to go. However, moves towards simplification in order for the system to reach more people have not been forthcoming. Universal systems which reach all have not generally been favoured due to their high cost and the fact that they have less redistributive potential. In addition, the removal of existing complexity in the system also tends to incur a cost unless Government allows some individuals to lose out so has not really occurred either.

3. Perhaps inevitably, any discussion of benefits complexity can quickly become rather confusing! So for purposes of clarity in this submission we will roughly divide our commentary into two main areas.

COMPLEXITY OF THE BENEFITS THEMSELVES AND THE RULES GOVERNING THEM

4. In 2003 the National Audit Office reported that there were “23 different potential entitlements for pensioners with 36 linkages between 16 of them”. This picture has actually become more complicated since then with the replacement of the “Minimum Income Guarantee” by Pension Credit which has two elements, Guarantee Credit and Savings Credit. In addition there are a number of premiums for Pension Credit if you are a carer or you are disabled. And of course the National Audit Office’s original analysis does not even include grants and means tested services which are available at a local level or indeed the benefits and rules governing whether or how people pay for social and residential care as they get older. Our submission covers the following points in this area.

— The complexity of Pension Credit itself and how this impacts on the effectiveness of the benefit in reducing poverty.
— The need for simplification of the way savings are treated across income related benefits.
— How the interactions between the tax system and the benefit system cause confusion and complexity for pensioners.
— The problems created where benefits overlap with each other to disadvantage pensioners and which require simplification.
— How age discrimination in disability benefits creates complexity for many pensioners and leaves them worse off than those who are disabled under the age of 65.

COMPLEXITY IN THE DELIVERY OF THE BENEFITS

5. Three recent high level reports have made the case for simplification and improvements to be made in benefits delivery. Sir David Varney in his recent review of public services, David Freud in his review of working age benefits and most recently Sir Michael Lyons in his recommendations on how to improve the Council Tax System through reforming delivery of Council Tax Benefit. The first of these reports gives several examples which highlight the extent to which people have to navigate a maze to access services and access benefits.

“There are over 4,000 published numbers for HMRC, DWP and Home Office alone and 50,000 for the public sector in the BT Directory."

“The average citizen will need to prove their identity at least 11 times a year."

“Over 400 local authorities are delivering 670 services through 4000 types of transaction."

6. Our submission aims to give a broad picture of how complexity in the benefits system manifests itself in complexity for the customer on the ground. We also examine how simplification of delivery mechanisms themselves aside from the benefits could bring substantial improvements for pensioners.
— The need for the Pension Service capacity to be extended so that those ineligible for Pension Credit but entitled to other benefits, aren’t left stranded by the system.

— The emerging case for automatic payment of benefits and the potential benefits in tackling pensioner poverty.

The benefits of designing service delivery better around the customer, in particular the creation of a single change of circumstance service.

7. In our view simplification of the benefits system would enable both better poverty reduction and would allow staff on the ground working with vulnerable individuals to focus on their health and wellbeing needs rather than helping them chase benefit claims.

PART 1 COMPLEXITIES OF BENEFITS THEMSELVES

Pension Credit

8. Pension Credit was introduced in 2003 to replace the Minimum Income Guarantee which was undoubtedly a more simple benefit. The rationale for this change was that despite its simplicity MIG was unfair with a cliff edge for entitlement and offering no reward for anyone who had saved for their retirement. What MIG did was effectively top up an individual’s income to a particular point, so if you were living on less than £78.45 a week in 2000–01 then all you had to do was claim and your income would rise to that level. So for those who had just £78.50 a week due to having saved in a private pension there was no help. In addition, even if you were below £78.45 whether you had an initial income of £20 or one of £78 you ended up with the same amount after MIG had been applied. So those for whom some income was made up of private saving were absolutely no better off for having saved, in fact they were arguably worse off as they had not enjoyed the benefits of spending that money earlier in life.

9. Pension Credit aimed to remedy this situation by keeping the topping up element of MIG but adding to it a new Savings Credit. This gives people extra money for having saved of up to £17.88 a week if you are single or £23.58 for couples. However, this of course does little to help women who have incomplete state pension records and whose private pensions do not necessarily take them over the level of the full basic state pension. For example a single female pensioner with a State Pension of £40 per week and a private pension of £20 a week who will only be eligible for Guarantee Credit. This means her savings will be withdrawn pound for pound.

Help the Aged would like to see all pensioners receive savings credit regardless of whether their overall income before benefits falls above or below the level of the Basic State Pension.

10. Pension Credit is not an easy benefit to understand, nor is it an easy benefit to explain to people. The Help the Aged leaflet “Can you claim it?” provides a simplified version to people of how they work out their entitlement, even with care taken to simplify in every way possible this still takes 10 pages and the need for a very mathematical brain or calculator. Help the Aged receives thousands of calls from pensioners every year who have a range of questions regarding Pension Credit, many people take a lot of convincing in order to persuade them to claim. There remain problems with take-up of the benefit with up to 1.74 million not claiming. A simpler system, preferably one that protected people from poverty via the State Pension system would undoubtedly mean fewer were missing out.

11. Advisors on our helpline and our information team who supply leaflets to people get thousands of calls a year from people who want to understand what they are entitled to before claiming. For many, it is not enough to take it on trust from Government what they will receive, people are very fearful of being overpaid and then getting into debt. Sometimes it can take up to an hour to explain and take people through what they would get and why they would get it.

Help the Aged believes that long term the levels of means testing do need be reduced. The Government must consider the case for providing more generous help to people under the State Pension System which has a greater chance of reaching the most needy. The ideal would be the Basic State Pension paid at the level of Guarantee Credit.

Calculation of income for benefits

12. There are three main income related benefits for pensioners: Pension Credit, Housing Benefit and Council Tax Benefit. In order to claim any of these households need to provide details of their savings. How savings are treated in the calculation of income is an area of complexity and thus of confusion and consternation for pensioners.

13. For Pension Credit the first £6,000 of savings is disregarded. After that an income of £1 per week is assumed for every £500 of savings. So someone with £10,000 of savings, they are assumed to have an extra income of £8 a week. There is no limit on the amount of savings an individual can hold. However, for Housing Benefit and Council Tax Benefit you cannot receive any help at all if you have more than £16,000 a year in savings. The only exception to this is if you are on the guarantee element of Pension Credit and have more than £16,000 in savings, in this case you all your Council Tax paid. This is an anomalous situation as is shown below with two hypothetical couples in band D properties.
Couple A
Joint income of £285 a week including an assessed income of £8 a week from their savings of £10,000.
= will receive council tax benefit of £16 a week
= pay £17 a week equal to approx 6% of their income

Couple B
Joint income of £168 a week including an assessed income of £21 a week from their savings of £16,500.
= no help with council tax
= pay £33 a week equal to approx 20% of their income

Couple A have an income which is £117 a week greater than their neighbours. This makes them over £6,000 better off for the whole year. Yet it is couple A who receive over £800 in state help with their council tax bills. The difference in household fortunes over the year ends up being roughly equal to the difference in the two couples’ savings!

Although the example given is extreme it does highlight a real issue. The reason Couple A did not get any help was because they had slightly too much in savings, £500 too much. On first appearances the rational decision for Couple A to make would be to spend this £500. However, this decision needs to be seen in a wider context.

The very existence of savings limits on certain benefits also tends to perpetuate the word of mouth myth that “if you’ve got any savings you can’t get any help from the Government”. Many older people who Help the Aged speaks to cannot understand why they are penalised for having saved and even when there are no limits why they are assumed to have income from their savings which is not usually related to the interest they actually get. Anecdotally Help the Aged has also seen indications that there are particular cultural sensitivities around providing information on savings from ethnic groups where money is considered a very private concern. However, on this point the absence of national data on take-up of benefits by ethnic group makes it hard to know the impact of this anecdotal evidence.

In his recent report Sir Michael Lyons recommended that the savings limit for Council Tax Benefit be immediately raised to £50,000 for pensioners and that longer term the treatment of savings ought to be aligned with Pension Credit. This would benefit in his view, an estimated 420,000 pensioners and would mean that Council Tax was better related to income, removing the anomalies like the example above. It is important to remember that older people are not able to rebuild savings once they have spent them. We have a national crisis in the funding of social and residential care and many individuals are holding back money to ensure that they can afford to pay for their own care. Others are holding back money so that they can ensure their home stays in an adequate state of repair. Surely these are all rational behaviours where people are planning ahead and taking personal responsibility. It is important that the Benefits system does not give people perverse incentives to spend their money in order to get benefits and then as a result become totally dependent on the State.

Help the Aged believes that the treatment of savings for pensioners should be the same across income related benefits so that there are no arbitrary limits on savings that people can hold.

The impact of tax

Another source of confusion for people with the benefits system is the interaction with the tax system. Some benefits such as the Basic State Pension are taxable whereas other benefits such as Attendance Allowance are non taxable. So when people are applying for benefits they are asked to give their incomes net of tax. However, Tax Help for Older People believe that many pensioners include non taxable disability benefits in their general income. In a benefit application this can make the difference between receiving a benefit and not. On a yearly tax return this sort of mistake can mean paying extra tax which may go unnoticed for years, or the contrary mistake of paying too little then facing a large bill.

The problem is that it is very hard for people to know which components of their income are taxable without being benefits experts! It would greatly help is if people were given better information when the benefit is first paid to them of whether it is taxable or not. In addition given people yearly breakdowns of the income they receive from Government into taxable and non-taxable components could also help.

Help the Aged would like to see Government do far more to ensure that individuals are not confused about which elements of their incomes are taxable to prevent people from being underpaid in benefits and overpaying in tax.
Overlaps between benefits

18. Perhaps the biggest area of complaint regarding the benefit system that older people contact Help the Aged about are the overlaps between benefits, specifically how receipt of one benefit reduces the amount of another benefit someone gets or disqualifies them from getting that benefit altogether. There are several examples of this we would like to highlight to the Committee.

Carer’s Allowance and the Basic State Pension

19. Both Carer’s Allowance and the Basic State Pension are considered to be income replacement benefits. Under current rules this means that it is not possible for people to receive both of these at the same time. Many angry and frustrated individuals contact us each year as they start to receive the Basic State Pension, and find out that they can no longer receive Carer’s Allowance. In particular people cannot understand the categorisation of the Basic State Pension as a benefit. This does not fit with their understanding of the Basic State Pension as something they have contributed towards all their lives through paying National Insurance, and thus believe the have earned the right to receive.

20. This “cutting off” of Carer’s Allowance when people start receiving the Basic State Pension is unfair to older people. Many continue to provide the same if not more hours of care but get no credit for this. In addition, many more people only start to care once they are older and receiving the Basic State Pension. The people we speak to feel that they do not get recognition for their role as carers. For working age carers there has been progress, the Pension Reform process will see the State Pension System give equal credit to people for full time caring as is given for working. But if working and caring are considered to carry equal value in our welfare system then if someone continues to get paid to work when they receive the Basic State Pension shouldn’t they also continue to get paid for their caring role?

Help the Aged believes that receipt of the Basic State Pension should not prevent an individual from receiving Carer’s Allowance.

21. Just to add some more complexity into the picture the overlapping benefit rule preventing people from claiming Carer’s Allowance doesn’t necessarily mean that an individual cannot get any credit at all for caring! If they are eligible for Pension Credit they can get a premium added to it for caring. However, in order to get this premium they must first apply for Carer’s Allowance and be turned down so that they can be said to have “an underlying entitlement”. This system is little short of ridiculous and it seems that it will be reviewed during the course of the Government’s wide ranging consultation on Carer’s issues.

Help the Aged would like to see the rules governing the Pension Credit Carer’s Premium simplified so that people can easily be awarded this without having to prove “underlying entitlement”.

Council Tax Benefit and Housing Benefit—the interaction with Pension Credit

22. If you are receiving the Savings Credit element of Pension Credit this is counted as income in the calculation of Council Tax Benefit and Housing Benefit entitlement. This becomes a problem when someone is already receiving Council Tax Benefit and/or Housing Benefit and then makes an application for and receives Savings Credit. The individual or household will see the amount of Council Tax Benefit and/or Housing Benefit they receive immediately reduced. For every extra £1 of savings credit (ie extra income) you will get 85p less in CTB and HB. The standard Government response to this problem is that individuals will always be better off. This may be true but older people we speak to find the operation of this rule most unfair and it tends to put them off the benefits system as a whole. In some cases the confusion caused will lead people to refuse Pension Credit.

23. This particular issue can often lead to a flurry of letters arriving through an older person’s letterbox trying to explain to them what has happened. In some cases older people will have to pay back Council Tax Benefit and Housing Benefit that they have already received after being given Pension Credit. This is both distressing and upsets the finely balanced weekly budgeting that many older people have in place to manage on low income. We regularly hear of cases where individuals end up being less than £1 per week better off after going through a raft of complex procedures. Perhaps understandably this leaves people angry and frustrated.

Help the Aged believes that the Savings Credit element of Pension Credit should not be considered as income in the calculation of Council Tax Benefit and Housing Benefit to avoid this confusing overlap.

The 25p age addition and Pension Credit

24. The addition of 25p to the Basic State Pension at the age of 85 was met with a hostile reception when it was introduced as the sum was felt to be so derisory. But for on Pension Credit the sum becomes more derisory as this new amount of money is assessed in the calculation of entitlement. So in fact older people on Pension Credit only receive an extra 15p when they reach 85. Whilst only being a small issue in monetary terms several pensioners have contacted on this point feeling that the operation of this rule is an insult.
26. It is important to remember that it is small issues such as these which put people off the Benefits system as a whole. Word of mouth can be quick to spread tales of these quirks in the system.

Help the Aged believes that the 25p extra that people receive at the age of 85 should remain 25p and should not be reduced through the operation of Pension Credit.

Age discrimination in Disability Benefits

27. Disability Living Allowance (DLA) is a non-means-tested benefit for disabled people with care or mobility needs. People who claim DLA before their 65th birthday can continue to receive it after the age of 65. However, people whose disability arises at or after the age of 65 (or who don’t claim help until after 65) can only claim the much more limited Attendance Allowance (AA). The benefits resemble each other in some ways and are administered very similarly, but there are a number of crucial differences between AA and DLA:

— There is no mobility component to AA, meaning those aged 65 and over cannot receive help with mobility costs, worth up to £42.30 a week.
— AA has no equivalent of the lower rate care component of DLA, which is worth £16.05 a week. This means older people have to have greater needs than younger people in order to receive help with care costs.
— AA claimants need to have to wait three months longer than DLA claimants before they can receive any benefit.

28. This age cut off between the two disability benefits is not only confusing for people but is also age discriminatory as older people receive less help and care than younger people with the same conditions. The most anomalous situation would be two individuals having car accidents either side of the age boundary. More common are the examples we hear from people of conditions that they contracted before 65 which have then worsened after that age; this particularly affects those who had childhood polio. One particular source of complexity is for those who have DLA at the age of 65 but whose condition then worsens as it is not them possible for them to get higher rates of DLA they have to instead apply for Attendance Allowance.

29. The financial impact for people of becoming disabled after the age of 65 can be devastating. Many families suffer considerable hardship in order to afford electric scooters or adapted cars so that they can get around.

Help the Aged would like to see Attendance Allowance fully aligned with Disability Living Allowance so that people receive the same support with their disability regardless of their age.

Part 2 Complexity in Delivery of Benefits

30. Currently £4.7 billion each year goes unclaimed just in Pension Credit, Housing Benefit and Council Tax Benefit by pensioners. This amount stands as a testament to the challenge of getting older people to engage with a complicated system. It is not the only reason that individuals don’t claim but we do know that many people are put off by the application processes they have to go through in order to get benefits. If they were to fill in paper applications for each of the main income related benefits and one disability benefit an individual would be completing at least 69 pages of forms and reading 34 pages of notes. They would also be required to provide a variety of information to verify their identity and savings amongst other things.

The Pension Service

31. In reality this situation no longer needs to be the case for all pensioners. The establishment of the Pension Service has seen a telephone claim service set up which has progressed to the point where now older people entitled to Pension Credit can claim Housing Benefit and Council Tax Benefit at the same time. In addition, people eligible for Pension Credit do not have to provide evidence of savings if they declare they have under £6,000 and do not have to sign a paper for their Pension Credit. At the same time the Local Pension Service is offering home visits to pensioners. During these the individual or couple will be taken through all the benefits they could claim, including disability benefits. They can also provide their evidence of savings and identity to the visiting officer. It is extremely positive that the Pension Service has made such strong moves towards creating a holistic service. But remains a long way to go, in particular for those who are not eligible for Pension Credit but who are eligible for other benefits. At the moment these individuals fall through the cracks in the benefits delivery process. Those who find their way to benefits but not through the Government’s preferred channels can also find themselves involved in more complicated procedures, as can those whose circumstances are not simple, for example carers. There are a number of ways in which the Pension Service could improve and extend its service to ensure that it did even better in delivering benefits to pensioners.
Extending Pension Service Capacity

32. In November 2005 the Pension Credit Application Line (PCAL) increased the functions it could perform from just helping people claim Pension Credit, to helping them access Council Tax Benefit (CTB) and Housing Benefit (HB). It was recognised by policy makers that up to this point pensioners who needed to claim a full range of means tested benefits were being asked to give detailed personal information to multiple agencies on multiple occasions. The process was complicated and was preventing people from getting all the income assistance to which they might be entitled. PCAL staff were already taking nearly all of the relevant information needed for someone to claim CTB and HB but the information was not being used towards these claims. It was agreed between the Pension Service and Local Authorities that data collected by the former could be used towards people’s CTB and HB claims. Applicants would simply be issued with a pre-populated three page form to sign and send to their local authorities.

33. However, at the moment these arrangements are only in place for older people who are identified during the call as entitled to Pension Credit. Those who give all their information to call centre staff but who are not eligible for the credit are simply sent a blank 28 page form. This is a huge missed opportunity to use the information they have taken the time to give over the phone. A very small step towards improving the systems for claiming Council Tax Benefit (CTB) would be to allow all pensioners to claim both CTB and Housing Benefit (HB) over the phone if they choose to. The advertising produced by the Pension Service which uses the strap line “one number, three benefits” already implies that this is the case. Help the Aged believes the current two-tier service between those who get Pension Credit and those who don’t should not continue. In his recent report Sir Michael Lyons recommended that this situation be remedied and we urge the Committee to make the same recommendation. The Pension Service is planning further reforms to their systems which would be to do away with the three page form altogether. Research revealed that around half of the three page forms were not being returned to local authorities. This highlights the extent of inertia which exists amongst older people and proves just how simple we need to make the claiming process in order for people to get their benefits. We would like to see this process available for all pensioners.

Help the Aged thinks a real improvement in service could be achieved if the Pension Service received the investment it needs in order to offer Pension Credit, Housing Benefit and Council Tax Benefit to all pensioners over the phone rather than just offering these three benefits to those eligible for Pension Credit.

Automatic payment of Benefits

34. The improvements suggested so far are all ones which could be carried out quickly. However, they leave intact a system which forces individuals to make proactive claims to the benefits system. In this scenario take-up might improve but is unlikely to leap up to near 90% or above. In order to achieve truly high levels of take-up the system needs to be designed in order to get around all the known reasons for non take-up. Indeed, most recent figures from the Pension Service show a stalling in take-up rates. It is possible to opt for a more universal system to get around but there is also a very new option currently being scoped out within Government which Help the Aged believes could offer real potential to improve take-up of benefits in the long term. A system of automatic payment of benefits would simplify the front end of benefits delivery effectively meaning that claimants would be shielded from much of the complexity. Only radical change like this will ensure that complexity in the system does not mean people missing out on the help they need.

35. An automatic system for paying benefits is not “pie in the sky” the concept has been proved by a joint team of central and local Government officials working at the Pension Service Solution Centre in Glasgow looking specifically at Council Tax Benefit (CTB). Further scoping work is now taking place within Government but Help the Aged believes that this work is not being driven forward fast enough and with enough high level backing. If successful the methods of paying CTB could then be applied to other benefits. The work also fits well with the Government’s agenda of transforming services using technology, to make them better for the user. The system would take the onus off the individual to behave as an active citizen when claiming benefits. Instead people would be proactively informed of their entitlements without having to lift a finger. This would reach people who hadn’t heard about benefits, those who hadn’t got around to making an application and even those who had thought benefits weren’t for them. For people who are very hard to reach because they are particularly isolated or perhaps face language or cultural barriers in accessing benefits this service could have a huge impact.

How it would work

36. Central to the solution of paying people Council Tax Benefit automatically would be the use of predictive analytics. To begin with, data on individuals’ incomes would need to be compiled from data Government already holds. Then, for those who fell into the bracket of being potentially eligible for benefits, data would need to be compiled on their savings. HMRC and the Treasury receive year end returns from banks and building societies on the amounts of interest paid on individual’s accounts. It would be necessary to use these returns in order to reverse generate a savings figure for each person based on a standard rate of interest. The savings figure could then be matched to the income allowing an assessment to be made of whether the person would be eligible for Council Tax Benefit. This profile could then be passed to local...
authorities to process. There a number of ways the application could then be taken forward ranging from light touch to asking people for a full range of proof to back up the data profile. The approach taken would depend on how Government and local authorities wish to handle risk.

37. The local authority could send the yearly council tax bill to the individual but enclose a form telling the person how much Council Tax Benefit they are entitled to and on what basis this assessment has been made. The individual would be asked to contact the local authority only if any of the information was incorrect otherwise CTB would be paid automatically. This puts the onus on the individual to come clean if they have more savings than stated or indeed, if they have less. A slightly more active approach would be to ask for a signature, or at the other end, individuals could be asked for full proof of savings, income and identity.

38. Government and local authorities could choose to treat individuals different according to their level of savings. For instance simply accepting without proof when someone had less than £6,000 in savings on the data profile. Apply the option A or B for individuals where it appeared they had less than £6,000 savings but placing more stringent requirements on those with higher savings. It is most important that the system is easy for the average honest person. Too often the benefits system has put in place multiple hurdles to keep people out and this has been at the expense of the most needy who then fail to jump the hurdles to make a claim. In his report on the future of Local Government Sir Michael Lyons recommended that work to pay Council Tax Benefit (CTB) automatically “must now be pursued further and implemented as rapidly as possible”. He also stressed that low take-up was “a systemic as well as a local issue, and as such requires a structural change in the way rebates (referring to a renamed CTB) are administered”. We hope that Government will accept Sir Michael’s carefully considered recommendations.

Help the Aged believes that work to pay benefits automatically must be driven forward urgently to tackle the problem of low take up. Without action we fear that levels of pensioner poverty will remain static at around 2.2 million which in our view is not an acceptable position.

The Varney Review

39. In his review of how public services are delivered David Varney uncovered a raft of problems most to do with poor joining up across Government and Agencies. For instance, he found that over £6 billion had been invested in IT projects since 2002 across Government yet he found relatively little evidence that this money had been used to create seamless services. Rather it had been spent across departments according to their individual priorities with not nearly enough thought given to the customer. His analysis suggested that: “Government could release efficiency savings by reducing both complexity for the citizen and frontline workers and duplication of processes, systems and technologies for Government.” At Help the Aged we support the case David Varney made for improving delivery of services including benefits. Simplification of benefits themselves is very important, but it is arguably more important to simplify the ways in which people receive benefits. But our rationale is not purely a business case; the benefits discussed in this submission have been designed to tackle the worst effects of pensioner poverty and without them people will be left struggling.

40. Sir David outlined in detail how complicated patterns of service delivery impacts on people.

“It is often the most vulnerable citizens who have to do the most joining up between the public service islands and much of it could be avoided with more collaborative service delivery.”

“The citizen who needs multiple services is left to join up the various islands of service to meet his or her needs. As departments do not appear to accept each other’s identification of the citizen, the citizen has to validate his or her identity at each service.”

41. Sir David made one major recommendation towards improving the situation for citizens across age groups. That the Government create a single change of circumstances service by 2010 so that people can notify Government once of a birth, change of address or bereavement and that this information will then be shared across the relevant agencies and departments. This was partly motivated by a case study example of a bereavement where the family spent 180 days and had 44 separate contacts with Government trying to sort out arrangements. After the 180 days issues around the passport and housing benefit still hadn’t been resolved. He also made a range of other recommendations and suggestions around the need for services to be transformed to meet customer needs, and for customers to be involved in the design of future services. Help the Aged fully supports these recommendations and in particular we believe the change of circumstance service could provide real benefits for pensioners especially at the difficult time after bereavement. At the moment many older people struggle to sort out the range of issues they are faced with after a death and this only adds to the emotional difficulties they experience at this time. The new service Varney proposes could mean that more positive assistance could be provided to people at this time rather than them struggling to navigate the system.

Help the Aged backs Sir David Varney’s calls for a single change of circumstances service across Government. In addition we hope that further steps will be taken to transform other existing services to meet the needs of the customer as is starting to occur under the “transformational government” process.
CONCLUSION

42. To conclude we have outlined a variety of examples of benefit complexity which we suggest ought to be simplified. In our view, the simpler the system is made, the more people it will reach and that surely this should be the primary aim of our Welfare system. Currently complexity means that many of the most vulnerable older people are left stranded from help they badly need and the same probably holds true for other age groups. Aside from reducing poverty further, a simpler system would also leave staff on the ground working in the public sector and voluntary sector, more time to do positive and preventative work with older people. Rather than chasing a Pension Credit Premium for a carer the time could be used to give a carer respite. Schemes such as the new Government Link Age Plus pilots could also benefit from a simpler benefits system. Staff would have to spend less time helping people locally to claim benefits. Instead they would have more time to spend on joining up health, leisure and housing services for older people. For example helping someone access podiatry services rather than helping them get Pension Credit. A simpler benefits system will also make it easier for Government to create a generic financial advice service in relation to the introduction of Personal Accounts an area which we have not even started to cover in this submission.

43. Simplification of the Benefits system is not easy and it is not always cheap either. In order for simplification to occur high level backing from Ministers is needed. Officials within DWP and the Pension Service have done a lot of positive work looking at the potential for simplification, particularly of delivery processes. Three major reviews from Varney, Lyons and Freud have also made the case for simplification of service delivery. Help the Aged believes that this case has now been made and that there is a mounting need for real action to drive forward developments in this area. Standing still is not an option, 2.2 million pensioners remain in poverty today and simplification of the benefits system in administration and delivery is one of the best hopes for improving this situation. We hope that the DWP select committee will make firm recommendations to Government that can then be acted on in the Comprehensive Spending Review and taken forward over the next three years.

REFERENCES

Sir David Varney—Service Transformation: A better deal for citizens and business, a better deal for the taxpayer, December 2006.
DWP/ONS—Households Below Average Income 2004–05 and 2005–06

5 April 2007

Memorandum submitted by Disability Alliance

SUMMARY

— Disability Alliance believes that, as a fundamental point of principle, the welfare benefit system should be of a universally high standard that every citizen would be happy and able to engage with, as well as understanding its intrinsic value.
— Welfare benefits should not be seen as something for the poorest or the neediest in society, but instead regarded as something that the majority of people will encounter at some point over their lifetime and thus able to respond effectively and efficiently to their often unpredictable need for support.
— Whilst the UK benefits system is extremely complex in many ways, and continues to become more complex as seemingly uncoordinated flurries of reform take place, it must be remembered that the system also reflects the complexities of individual claimant’s lives and the needs that arise as a result.
— Any attempt to simplify this system must strive to minimise the numbers of losers from such a reform. Disabled people face two basic problems: inadequate income and extra costs, and simplicity should not be imposed at the expense of meeting the wide and varied needs of all disabled people.
INTRODUCTION—Disability Alliance

1. We are a national registered charity with the principal aim of relieving the poverty and improving the living standards of disabled people. Our eventual aim is to break the link between poverty and disability.

2. We are a membership organisation with over 365 members ranging from small, self-help groups to major national disability charities. We are controlled by disabled people who form a majority of our Board of Trustees.

3. We provide information on social security benefits and tax credits to disabled people, their families, carers and professional advisers; undertake research into the needs of disabled people—with a particular emphasis on income needs, and promote a wider understanding of the views and circumstances of all people with disabilities.

4. We are best known as the authors of the Disability Rights Handbook, an annual publication with a print-run of 30,000, but also have a range of other guides and provide a telephone helpline and a popular website. The Disability Rights Handbook provides clear and concise information on the welfare benefits and tax credits systems, as well as other areas such as social and residential care and a range of other issues relevant to disabled people and their families. We feel this makes us particularly well-placed to comment on the complexities of the UK benefit system.

5. Our policy work is informed by our daily contact with disabled people and those who provide services for them. We undertake research into the needs of disabled people, with a particular emphasis on income needs. For example, together with the Centre for Research in Social Policy at Loughborough University, we undertook a major piece of work, into the extra costs faced by disabled people—“Disabled people’s cost of living—more than you would think”. Other work has covered disabled parents, and families with more than one disabled child.

6. We welcome the opportunity to contribute to this inquiry. We have not addressed all the questions but have concentrated on those areas where we feel we have knowledge and experience. We have also added additional comments which fall outside the specific area covered by the formal questions.

GENERAL POINTS

7. Disability Alliance believes that, as a fundamental point of principle, the welfare benefit system should be of a universally high standard that every citizen would be happy and able to engage with and to understand its intrinsic value. It should not be seen as something for the poorest or the neediest in society. Whilst the UK benefits system is extremely complex in many ways, and continues to become more complex as seemingly uncoordinated flurries of reform take place, it must be remembered that the system also reflects the complexities of individual claimant’s lives and the needs that arise as a result. Any attempt to simplify this system must strive to minimise the numbers of losers from such a reform.

8. The needs of disabled people, in terms of financial assistance from the welfare state, appear to be addressed often an afterthought over the last 50 years. The Fowler reforms of 1985, as laid out in the Green Paper, Reform of Social Security, noted that:

“Disabled people were only partially taken into care of in the post-war structure. Although people with industrial injuries had received relatively favourable treatment, some disabled people who had never been able to work were necessarily excluded altogether from the social insurance scheme [introduced by Beveridge]. Several new benefits were later added to fill obvious gaps in provision.”

9. Since then, it appears to Disability Alliance that disabled people have been the “fly in the ointment” for regulators and administrators of the welfare benefits system. The Beveridge scheme for social insurance was predicated on the maintenance of full employment, temporary withdrawal from the labour market and stable family formations.

10. Accordingly, it has been unable to cope with the growth in long-term unemployment, rise in part-time and self employment, the growth in lone parenthood and the numbers of unprotected full-time carers. And as disabled people experience some of the most unfavourable labour market outcomes of any group, a welfare system predicated on labour market insurance principles will obviously be inherently unsuitable for many disabled people.

11. So, for example, in the Labour Government’s 1997 welfare reform Green Paper “New ambitions for our country: A new contract for welfare”, a key principle of the reform programme was that:

“those who are disabled should get the support they need to lead a fulfilling life with dignity”

12. On that principle, this reform clearly failed to achieve its objective, as the number of working age disabled adults living in poverty has actually increased over the last 10 years, and this despite some percentage point increases in the number of disabled people in employment. This is especially disappointing in light of the fact that this reform also set out to constitute a “truly comprehensive review of the welfare state in all its elements” yet actually delivered very little progressive change to either disability or incapacity benefits in any meaningful way.
13. The UK is currently in the midst of an almost unprecedented level of reform in relation to welfare benefits but Disability Alliance is concerned that there is a lack of high-level strategy to coordinate the reforms and proposals in such a way as to reduce, rather than increase, complexity within the welfare benefit system and related areas. To provide some examples:

— the Welfare Reform Bill introducing employment and support allowance and local housing allowance is nearly through Parliament;
— the Freud proposals, with drastic fundamental changes proposed for welfare delivery, are being opened up for public consultation;
— a consultation on the Industrial Injuries Disablement Benefit scheme closes on 22 April 2007;
— a review of Statutory Sick Pay is underway with emerging findings,
— new proposals for reducing child poverty have just been announced, affecting many disabled parents and parents of disabled children;
— the recent quinquennial review of the independent living fund has made long-reaching recommendations up until 2011;
— the disabled facilities grant programme is subject to a consultation closing on 12 April 2007; and
— the Lyons review has made various recommendations about council tax and council tax benefit.

14. We fear that this scattergun approach to reform will undermine any serious attempt to simplify the welfare benefits system in a meaningful way. We feel that the sheer number of policies emerging from the reforms detailed above mitigate against progress in reducing the burden placed upon disabled people to better understand and enforce their rights and responsibilities.

Key Problems

15. Low take up: Key means-tested welfare benefits and tax credits often have low take up, due to complexity, lack of information, and stigma. And low take up of benefits will clearly have negative effects on child poverty figures. The burden placed on parents with a disabled child are huge, in terms of making appropriate welfare benefit and tax credit claims, as well as organising social care provision and so on. Parents report feelings of helplessness, fear, and seemingly large amounts of repetition in terms of providing personal information on their children.

16. Universal benefits such as child benefit show very high rates of take-up but the corollary of this approach is that assistance cannot be targeted beyond certain basic criteria eg having a child. It takes no account of need. With disability, there is another issue in that it is clearly more difficult to objectively understand the effects of impairment and disability upon individuals, compared to say proving the existence of a child.

17. Claimant error: DWP statistics shows that errors are a greater problem than fraud. Yet fraud is often still perceived by the wider general public as being an inherent and enduring problem of welfare benefits, despite the very real progress made in reducing fraud over the last 10 years. With complex claiming processes and inadequate advice or support available, especially face-to-face advice, claimant errors can often lead to other problems developing down the line, for example, non-take up of relevant benefits, underpayments and overpayments, debts incurred, etc. The DWP appear to be institutionally failing with regards to provision of accurate and more importantly complete information to claimants about all of their choices and options when interactions occur.

18. Poor decision-making, official error and inconsistency: Further, if civil servants administering the welfare benefit system cannot properly understand this system, it seems clear that official errors will become more frequent. Many claimants require voluntary sector advice agencies to assist with challenges to decisions, from review to appeal and beyond. The well-publicised difficulties of the Community Legal Service, in addition to reductions in local authority funding for advice services, have conspired such that independent advice provision is patchy, erratic and inconsistent with suitable advice often not being accessible to disabled claimants.

19. Delays: Delays are a common place feature of the welfare benefit system and can serve as a strong work disincentive to many claimants. We have heard of problems with securing appointments to make claims, delays in claim forms being processed, and delays in payments being made. We remain unconvinced that the increase in the use of telephones in Jobcentre Plus offices is as unproblematic as claimed by DWP. Many stories have reached us about problems with securing appointments, refusals to accept paper claims or to allow claims to be lodged and incorrect or misleading advice being given out.

20. Interaction of benefits: Passporting within the benefits system increases the capacity for errors to arise. For many claimants who know about the problems that can and do arise when submitting claims for welfare benefits, often as a result of the issues identified immediately above, there is a very real worry that any interruptions to those claims for any reason will cause many more problems than they are prepared to deal with.
21. For example, the immediate removal of housing benefit if a qualifying benefit such as income support also ceases, means that at the point of moving into work, claimants are necessarily required to focus on tiding themselves over in the intervening weeks between securing employment and leaving benefits, rather than concentrating on their new work. The housing benefit run-on is supposed to be paid automatically yet there is still a requirement for claimants to notify Jobcentre Plus in order for these payments to be made.

22. **Financial security:** Disabled people tell us that one of their biggest fears is that trying out work will result in their disability living allowance (DLA) being reviewed. DLA is payable to people in paid employment but for some groups of people (particularly those with mental ill-health or ME) a move into work can be interpreted by the DWP as a signal that their condition has improved, and thus prompt a review of their DLA taking place.

23. For some people, this may be true as a sign of improvement but for many others, the first few weeks and months in a new job can be more stressful than remaining on benefit. The potential loss of DLA, during a period fraught with financial uncertainty, can be a huge disincentive, especially if people are worried about their ability to cope with paid employment. We would recommend a six month “settling-in guarantee” under which disabled people are guaranteed that their DLA will not be reviewed. This allows time to settle into a new job, and to ensure that it is going to be sustainable.

24. **Stigma:** This has a negative impact on take up. Government messages often seem to be very negative about the people who are forced to rely on welfare benefits, with high-profile fraud campaigns leading to perceptions that welfare benefit claimants are not to be trusted. We feel that this also has knock-on effects on employer attitudes, with many employers expressing reluctance to consider employing long-term benefit claimants.

25. **Interaction of systems:** Disability Alliance is aware that welfare benefit claimants who require social care or care in the community face exceptional burdens in many ways. Most benefit income is taken into account when setting charges for social care from a local authority under the fairer charging system, whereas earned income is ignored. Whilst we fully support the exclusion of earnings from care charging schemes, it seems to us iniquitous that claimants on the lowest incomes face greater charges than those in work. With moves towards individual budgets seemingly gathering support, we would hope that proposals to simplify the benefits system would also take account of interactions with other relevant social care systems, as well as health care services.

26. **Social insurance benefits:** there are advantages and disadvantages to social insurance benefits, particularly for disabled people. Advantages can include targeting with less stigma, support for labour market principles, individual entitlements and administrative convenience. Against these, disadvantages are the contingency of maintaining full employment and the exclusion of those who cannot work, contribution conditions that are inflexible and somewhat arbitrary, and the failure of benefit rates to adequately reflect the costs of disability.

**Conclusions**

27. Disabled people face two basic problems: reduced incomes and increased costs. Therefore, they need a secure and adequate income to ensure that they are properly able to play their part as active citizens. The welfare system should ensure that those disabled people who are unable to work, or who are likely to face particular difficulties in securing work due to their illness or disability, must have an adequate income that reflects their needs. Any simplification must not come at the cost of jeopardising or undermining the financial position of disabled people.

28. Disabled people receiving welfare benefits do not receive sufficient income to meet their extra needs, as evidenced by the recent report from DWP. The report noted that “Most studies conclude that disabled people’s needs are not fully met through services, and the cost of private provision to meet needs is not fully covered by extra costs benefits.” This is because of the combination of inadequate levels of benefits, poor take-up and the extra costs associated with disability. We would restate our position that the DWP and Government should carry out research to develop minimum income standards for disabled people, so that we could then begin to understand the complexities of the current situation.

29. If more disabled people are to move into employment, Disability Alliance feels that there must be more flexibility within the welfare benefit system to allow people to try out work without fear of losing their benefits, to allow people to work without losing so much of their benefits, and for entries onto and exits from benefits to be much more responsive and prompt. There is a lack of cohesion and consistency currently in benefit linking rules, the permitted work rules and earnings disregards are also inconsistent, and information about making the transition from benefits to work is often inappropriate and incomprehensible.

30. Further, any policy to move disabled people into work must take account of the large numbers of disabled people facing in-work poverty as well as the issues of discrimination, and work-place development and support. Many disabled people face discrimination in trying to secure and retain employment, are often

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paid less than colleagues doing similar jobs, and are denied opportunities to progress onwards and upwards. The Leitch report was a valuable first step in identifying skills development as being a crucial factor, especially as many disabled people face educational discrimination.38

31. Disability Alliance thinks a key improvement in the welfare system would be some degree of consistency in the assessment of ill-health and disability. Currently, the Disability Rights Handbook notes five main tests of disability:

— *Incapacity for work*, for statutory sick pay, incapacity benefit, severe disablement allowance, income support and the unemployability supplement under the Industrial Injuries and War Disablement schemes, with different tests depending on which benefit is claimed;

— *Needing care, supervision or watching over by another person*, used for disability living allowance care component and attendance allowance, with a similar test used for constant attendance allowance under the Industrial Injuries and War Disablement schemes;

— *Unable or virtually unable to walk*, used for disability living allowance mobility component and war pensioners mobility supplement;

— *Degree of disablement*, used for industrial injuries disablement benefit, war disablement pension and vaccine damage payments; and

— *At a disadvantage in getting a job*, used for the disability element of working tax credit.

32. There are two further overarching definitions of disability that also apply:

— *Substantially and permanently disabled*, used for registering as disabled with a local authority social services department and for getting a reduction in council tax; and

— *Physical or mental impairment which has a substantial and long-term adverse effect on your ability to carry out normal day-to-day activities*, used to define who is covered by the Disability Discrimination Act.

33. Disability Alliance thinks that there is scope for a rationalisation of these tests, especially if reviewed in conjunction with fairer charging assessments made by local authorities that also include welfare benefit checks. Whilst different assessments may be necessary for different tests of eligibility for different benefits, we feel that the sheer number of assessments that disabled children and adults can be subject to requires serious thinking and improvement.

34. In terms of communications with disabled people, we would highlight the recent report from the Office of Disability Issues, “Improving Information for Disabled People”. This noted that public sector organisations should apply the following principles to their work to improve services and information to disabled people and meet their obligations under the Disability Equality Duty:

— Ensure that disabled people are involved from the start.

— Provide information through a range of channels and formats.

— Ensure information meets diverse range of users’ needs.

— Clearly signpost other services.

— Always define responsibility for information provision.

35. Disability Alliance thinks that issues affecting staffing levels and training within Jobcentre Plus must be an integral part of attempts to simplify the welfare benefits system. Unless there are sufficient staff, trained and knowledgeable in the intricacies of whatever simplified system is eventually decided upon, claimants will always face barriers in accessing their rights and entitlements. Indeed, if the agenda for the welfare system is “something for something”, we feel that it is incumbent on the Government to ensure that their responsibilities are met, insofar as ensuring that the administration and bureaucracy are effective and efficient and are not undermined by budgetary savings that actually increase error and spending.

5 April 2007

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38 See, for example, Disability Rights Commission Education Research in England and Wales: Highlights 2004-2005.
Memorandum submitted by Pensions Policy Institute (PPI)

Submitted by Chris Curry, Research Director, on behalf of the Pensions Policy Institute

Summary

1. This submission concentrates on the complexity in the pensions part of the benefit system, and in particular the complexity added by the use of means-tested benefits.

2. If complexity remains, the state pension system can more easily be changed by successive governments, as happened with SERPS. Pensions stakeholders feel very strongly that simplicity is desirable both to help people understand what they will get from the system, and because simplicity would make it harder for Governments to change the system over time.

3. The need for simplicity has been recognised by the Government, who set simplicity as one of the criteria used to evaluate state pension reform proposals. However, even after the current proposals in the Pensions Bill come into force the problem of complexity in the state pension system and the uncertainty that it generates will remain.

4. Three areas of complexity have been identified in PPI research:
   — Complexity in qualification for state pensions, leading to uncertainty as to whether (and for how much) individuals qualify.
   — Complexity in having more than one state pension, even though the two pensions combined still give a relatively low level of income to many individuals.
   — Complexity though the continued use of means-testing to support pensioners incomes. This can affect individual’s incentives to save.

5. Pension Credit is complicated and adds significantly to the number of parameters on which an individual’s future income depends. Further, it is not certain, as its parameters can be set at short notice in a Budget rather than being set in legislation (though the level of the Guarantee Credit will be set in legislation if the State Pensions Bill is passed). Small changes in these parameters can make a big difference to being eligible or not in future. So continued reliance on Pension Credit means that people (and their advisors) will continue to be uncertain about the income they can expect from the state in future and about the value of saving.

6. Means-tested benefits also add to complexity through:
   — The impact on savings incentives (relevant for the introduction of Personal Accounts); and
   — Incomplete take-up

7. The PPI’s analysis shows that individuals’ incentives to save in Personal Accounts depend on their circumstances. This is because their internal rate of return will depend on the level of contributions, the investment returns, and on how they are affected by the tax and benefit system. Although means-tested benefits are only one factor, there has been much discussion about the extent of means-tested benefits that will remain in the system after the reforms and the effect that this will have on incentives to save.

8. The PPI is planning to conduct further analysis of possible policy options that might improve the incentives to save for some of the individuals who may be affected by means-tested benefits.

The role of the Pensions Policy Institute

1. The Pensions Policy Institute (PPI) promotes the study of pensions and other provision for retirement and old age. The PPI is unique in the study of pensions, as it is independent (no political bias or vested interest); focused and expert in the field; and takes a long-term perspective across all elements of the pension system. The PPI does not make policy recommendations, but exists to contribute facts and analysis to help all commentators and policy decision-makers.

2. This submission concentrates on the complexity in the pensions part of the benefit system, and in particular the complexity added by the use of means-tested benefits.

3. Throughout 2005 and early 2006 the PPI undertook a detailed study of the perceived problems with, and potential reforms for, the UK state pension system. Complexity of state pensions, and in particular the complex interaction between state and private pensions, was identified as a problem with the current system.

4. During the research a widespread concern was expressed that pension policy, once reformed, should be sustainable and stable over time. Many experts believe that the best way to ensure stability is to have as simple and transparent a pension system as possible.

5. If complexity remains, the state pension system can more easily be changed by successive governments, as happened with SERPS in the 1980s and 1990s. Pensions stakeholders feel very strongly that simplicity is desirable both to help people understand what they will get from the system, and because it would make it harder for governments to change the system over time. However, a more complex system may be seen as more flexible, which could be an advantage.

6. The need for simplicity has been recognised by the Government, who set simplicity as one of the criteria used to evaluate state pension reform proposals. The proposals currently passing through Parliament in the State Pensions Bill go someway to making the state pension simpler, moving to essentially a flat-rate state pension. However, the transition will take decades, and during transition the system will be far from simple.

7. Currently there are roughly 100 parameters that define what any individual may receive from state pensions and Pension Credit. After the White Paper reforms, there will still be around 95 parameters. The problem of complexity in the state pension system and the uncertainty that it generates will therefore remain.

8. Three areas of complexity were identified in PPI research:
   
   — Complexity in qualification for state pensions, leading to uncertainty as to whether (and for how much) individuals qualify.
   
   — Complexity in having more than one state pension, even though the two pensions combined still give a relatively low level of income to many individuals.
   
   — Complexity though the continued extensive use of means-testing to support pensioners’ incomes.

Qualification for state pensions

9. The proposals contained in the State Pensions Bill will go someway to reducing the complexity of the Basic State Pension (BSP). By reducing the number of qualifying years required to 30, it is estimated that 95% of men and women reaching state pension age in 2025 will qualify for a full BSP based on their own contributions. This compares to 85% of men and 30% of women reaching state pension age today.

10. However, complexity will still remain in qualification for the State Second Pension (S2P), where the amount received will still depend on whether an individual qualifies each year, on the number of years qualified, and to a large (though decreasing) extent on how much individuals earn.

More than one state pension

11. Complexity will remain within the state pension system even when S2P become flat rate. There will be in effect two flat-rate state pensions (S2P may not become flat-rate in accrual until 2030, or possibly even 2036 after changes announced in the recent Budget), with different qualification criteria and increasing by different amounts once coming into payment.

12. This means that individuals will still not be certain about how much pension they will receive from the state. The Government has suggested that an individual with a full working history and median earnings reaching state pension age in 2050 would receive combine BSP and S2P of £135 a week. However, PPI analysis suggests that the majority of pensioners will have a lower income from state pensions than this on reaching state pension age in 2050.

13. With a simpler system, based on a single state pension, there is also less room for future Governments to change part of the state pension system without public debate. Having only one tier of state pension rather than two means that it is not possible to trade one pension off against the other—for example, to allow for a more generous second tier by reducing the value of the first.

14. Complexity within the system also makes it easier for other policy changes to have unintended consequences for pensions policy. For example, the recent announcement in the Budget that the Upper Earnings Limit for National Insurance contributions will be aligned with the earnings limit for paying higher rate tax from April 2009 could extend the band of earnings that qualifies for S2P. If this does occur, S2P will not become flat rate in accrual until 2036, rather than 2030 as intended in the 2006 White Paper.

42 Assuming that the recent increase in the Upper Earnings Limit for National Insurance contributions feeds through directly to the band of earnings eligible for State Second Pension. Note that the Pensions Bill intends to give the Secretary of State powers to lower the “upper accruals point” for S2P when S2P is simplified if S2P would not otherwise become flat rate by 2030.
THE IMPACT OF MEANS-TESTED BENEFITS ON SAVING

15. Pension Credit is complicated and adds significantly to the number of parameters on which an individual’s future income depends. Further, it is not certain, as its parameters can be set at short notice in a Budget rather than being set in legislation (though the level of the Guarantee Credit will be set in legislation if the Pensions Bill is passed). Small changes in these parameters can make a big difference to being eligible or not in future. So continued reliance on Pension Credit means that people (and their advisors) will continue to be uncertain about the income they can expect from the state in future and about the value of saving.

16. Means-tested benefits also add to complexity through:
— The impact on savings incentives; and
— Incomplete take-up

THE IMPACT ON SAVINGS INCENTIVES

17. The impact of means-tested benefits on savings behaviour is also becoming more important in the context of the Government’s reforms to introduce a system of auto-enrolment into Personal Accounts. The PPI has been investigating the factors that are likely to affect the suitability of the new system of Personal Accounts for different individuals.

18. Personal Accounts could give many people access to a low-cost pensions savings product with an employer contribution for the first time. As a result of the low charges and employer contribution, incomes from saving in Personal Accounts are likely to be higher than incomes from saving in Stakeholder Pensions for many people.

19. The PPI has analysed the incentives to save in the new Personal Accounts by calculating the internal rate of return that different hypothetical individuals could receive when contributing to a Personal Account.45

20. Returns from saving in Personal Accounts will vary from person to person:
— An individual’s contribution, their employer’s contribution, the tax relief and the investment returns on these contributions could all increase the value of an individual’s Personal Account.
— On the other hand, income tax, charges, and any means-tested benefits that the individual may otherwise have been entitled to if they had not saved in a Personal Account could reduce the value of the individual’s Personal Account.

21. How these factors interact is complex, so that the internal rate of return will vary from individual to individual. Chart 1 shows how these factors interact for a median-earning man with a full National Insurance record who is aged 25 in 2012.

CHART 46

Many factors affect incentives to save

£2.73

£1.00

| Individual contribution | Tax relief | Employer contribution | Investment returns | Charges | Income tax | Pension Credit | Council Tax Benefit + Housing Benefit | Total |

45 The “internal rate of return” is the nominal interest rate that the individual receives on his or her individual contributions to Personal Accounts, after allowing for the effects of tax relief, employer contributions, investment returns, charges, income tax and means-tested benefits. It should not be compared with investment returns on other forms of saving.

46 PPI calculation. For more information see PPI (2006) Are Personal Accounts suitable for all?
22. In the PPI’s analysis, hypothetical individuals are categorised by being at low risk, medium risk or high risk of Personal Accounts being unsuitable for them, depending on the internal rate of return that they are likely to receive.47

23. People at “low risk” of Personal Accounts being unsuitable for them are likely to receive back the value of their individual contributions to Personal Accounts protected for inflation, together with a full investment return on their contributions. Examples are:
   — Single people in their twenties in 2012 with full working histories.
   — Single men in their forties and fifties in 2012 who have a full working history and large additional savings.

24. People at “medium risk” of Personal Accounts being unsuitable for them would receive back the value of their individual contributions, protected for inflation, and some investment returns on their contributions, although they may not receive full credit for the investment returns. This group includes:
   — Single people in their twenties in 2012 with low earnings and broken working histories, whether because of caring breaks or unemployment.
   — Single people in their forties and fifties in 2012 with low earnings and full working histories.
   — Single people in their twenties in 2012 who stay opted in to Personal Accounts while employed, and then become self-employed at a later date.

25. People at “high risk” of Personal Accounts being unsuitable for them are likely to receive back less than the value of their contributions into Personal Accounts. This group includes:
   — Single people who are likely to rent in retirement and have no additional savings. These people may be entitled to less Housing Benefit in retirement as a result of their saving in Personal Accounts.
   — Although they would not be auto-enrolled, single people in their forties and fifties in 2012 on low to median incomes who are self-employed.

26. Other factors can affect whether or not Personal Accounts are suitable:
   — Returns from saving in Personal Accounts could be higher for people who are married at some point in retirement, rather than always single as the above examples assume. The majority of pensioners are married at some point in their retirement, so this could improve suitability for many people.
   — It may still be advisable for some people in the high-risk category to save. For example, they could have a strong preference to smooth consumption over their lifetime.
   — Conversely, it may not be advisable for some people in the low-risk category to save, for example if they have high levels of debt. Levels of both secured and unsecured debt appear historically high and a sizeable minority of people carry over credit card balances from month to month.
   — Whether contributions are affordable will depend on individual preferences on current expenditure and saving.

27. If Personal Accounts are not suitable for everybody, then this does not necessarily mean that individuals should not be auto-enrolled. But it does have important implications for what information is needed to help people make informed decisions about whether they should opt-out.

28. Policy options may exist to reduce the risk of Personal Accounts being unsuitable for some of the individuals who are auto-enrolled. Potential options include:
   — The provision of generic advice to assist people to decide whether they should stay in or opt-out of Personal Accounts.
   — Not auto-enrolling some groups of individuals, for example, today’s older people or people with low earnings.
   — Changes to the tax or benefit system, for example, increases to the trivial commutation limit or making pension saving “invisible” to means-tested benefits.

29. The PPI’s analysis shows that individuals’ incentives to save in Personal Accounts depend on their circumstances. This is because their internal rate of return will depend on the level of contributions, the investment returns, and on how they are affected by the tax and benefit system. Although means-tested benefits are only one factor, there has been much discussion about the extent of means-tested benefits that will remain in the system after the reforms and the effect that this will have on incentives to save.

Pension Credit and Other Means-Tested Benefits

30. There are currently a number of means-tested benefits for which individuals over state pension age may be eligible. These benefits include:
   — Pension Credit

47 For a full discussion of the PPI analysis conducted and the benchmarks used see PPI (2006) Are Personal Accounts suitable for all?
— Council Tax Benefit
— Housing Benefit

31. Pension Credit (PC) consists of two elements, Guarantee Credit (GC) and Savings Credit (SC). When PC was first announced, the Government’s aim in introducing GC was stated as ensuring that the poorest people over age 60 have a minimum level of income, while the aim in introducing SC was to reward savings.\footnote{Department of Social Security (2000) *Pension Credit: A consultation paper.*}

32. Both GC and SC are means-tested benefits, so the amounts individuals receive will depend on how much income they have in retirement. Pension Credit is a way of targeting Government spending where the need is greatest.

33. Official estimates for eligibility of PC in 2003–04 were presented as a range: from 44% to 51%.\footnote{House of Lords *Hansard* 25 April 2006 Column WA15.} Estimates for current eligibility continue to be uncertain because of data limitations.

34. There has been much debate about the likely extent of means-tested benefits that will remain after the Government’s state pension reforms have been introduced.

35. Neither the DWP nor the PPI produce projections about the future proportion of pensioner benefit units eligible for Council Tax Benefit or Housing Benefit. However, both publish projections of the future proportion of pensioner benefit units eligible for Pension Credit, under the recent White Paper proposals.

36. Projecting future levels of Pension Credit eligibility is difficult. In order to project future Pension Credit eligibility, one first has to project how much income pensioners will receive from four different sources:

— Basic State Pension: the proposed reduction in the number of years required to qualify for a full BSP to 30 will mean that incomes from BSP will be more certain in future. In 2050, the majority of people will be entitled to the full BSP.
— State Second Pension: how much State Second Pension (S2P) individuals will have depends on how many years they qualify for S2P and, until S2P becomes flat-rate, how much they earn.
— Private pensions: the amount of income from private pensions will depend on how much individuals and/or employers contribute, on how contributions are invested, and on annuity rates.
— Other savings and earnings: the amount of income from other savings will depend on how much people save and how these are invested. The amount of income from earnings will depend on the availability of employment opportunities, and willingness to work.

37. Both the PPI and the DWP agree that the White Paper proposals are likely to mean a large fall in future Pension Credit eligibility, relative to what would be the case in the absence of reform (Chart 2). Estimates, however, differ about the extent of that reduction.

\begin{table}[h]
\centering
\begin{tabular}{l|c|c}
\hline
 & PPI & DWP \\
\hline
Without reform & 85\% & 79\% \\
With reform & 44\% & 28\% \\
\hline
\end{tabular}
\caption{Eligibility for PC will be significantly lower due to White Paper reforms}
\end{table}

\begin{itemize}
\item Projected eligibility for Pension Credit in 2050, all pensioner benefit units
\item PPI analysis using the Distributional Model. DWP figures from DWP (2006) *Pensions Bill Regulatory Impact Assessment.* Note that in past publications PPI projections for Pension Credit eligibility are shown rounded to the nearest 5%, to reflect the inherent uncertainty. Here, projections are shown to the nearest 1% to allow for detailed comparisons.
\end{itemize}
38. Given the inherent uncertainties in projecting future eligibility to PC, the PPI has calculated a range of possible outcomes. The need for a range is underlined by the nature of modelling. Modelling can most robustly be used to show the differences between different policy options, rather than to “forecast” outcomes under any one particular policy option.

**Incomplete Take-up**

39. PC has imperfect take-up. It is a benefit that has to be claimed but not everybody who is eligible claims. Around three-quarters of households who are eligible for the GC element (whether or not they are also eligible for the SC element) take up their benefit. Take-up is lower for households who are only eligible for the SC element with less than one-half of such households taking-up their benefit.

40. Council Tax Benefit is a rebate scheme to provide help with up to 100% of an individual’s council tax. In 2004–05, between 50% and 55% of “pensioner benefit units” were entitled to Council Tax Benefit. Take-up of Council Tax Benefit in 2004/5 was estimated to be between 53% and 58%.

41. Housing Benefit is designed to help with housing costs. This includes rent and some accommodation related service charges. Around 20% of pensioner benefit units were eligible for Housing Benefit in 2004–05. Take-up is relatively high; between 81% and 87% took-up this benefit in 2004–05.

**Further Analysis**

42. The PPI is planning to conduct further analysis to consider the impact of possible policy options that might improve the incentives to save for some of the individuals in the high and medium risk groups identified.

43. The PPI has been commissioned by the Equal Opportunities Commission to produce a report looking at the implications of altering the limits for trivial commutation of small pension funds and the capital limits for means-tested benefits. This is due to be published in the first half of 2007.

44. Individuals with small amounts of pension saving may be able to “trivially commute” their pension saving and take 100% of it as a lump sum. This means that the individuals are not obliged to buy an annuity that would give them a very small monthly income.

45. Taking lump sums can increase the return from saving because of how means-tested benefits work:

- If an individual bought an annuity with his or her saving, then all of the income from that annuity would normally count in the calculation of his or her entitlement to means-tested benefits.
- A lump sum provides an individual with capital. Capital is also taken into account in the calculation of entitlement to means-tested benefits. However, the first £6,000 of capital (the “capital disregard”) is not included in the calculation.

46. The policy options analysed for the EOC will increase both:

- the trivial commutation limit, so that more individuals can take their pension saving as a lump sum rather than an annuity, and
- the capital disregard, so that a greater amount of capital is not taken into account in the calculation of entitlement to means-tested benefits.

47. Other policy options that may be analysed later this year by PPI include different ways of treating income from pension savings when calculating entitlement to means-tested benefits. For example:

- Disregarding all private pension saving from the calculation of Pension Credit.
- Introducing a limited disregard of private pension income in the calculation of Pension Credit.
- Incorporating private pension income within the existing disregard of capital (currently the first £6,000 is not counted in the calculation of Pension Credit).

05 April 2007

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51 The lower end of the range, at 1/3, is close to the DWP estimates. See PPI (2007) Incentives to save and means-tested benefits.
53 A pensioner benefit unit refers to a single person or a couple that can apply for the benefit.
Memorandum submitted by the Chartered Institute of Taxation

SUMMARY

— The Low Incomes Tax Reform Group is an initiative of the Chartered Institute of Taxation to give a voice to the unrepresented in the tax system. Our concern in making this submission is to draw the Committee’s attention to the particular complexities of the benefits system caused by its interaction with the tax and tax credits systems, and to recommend opportunities for simplification.

— The administration of welfare support in this country is now divided between two departments—the DWP and HMRC—which with their different policies, practices and culture often adopt different approaches to the same mutual customer in the same situation. This causes not only needless system complexity but also confusion to the individual claimant.

— This complexity and confusion can be reduced, if not minimised, by the two departments consulting each other when framing policy and procedures, and working together more.

— In this submission we analyse certain areas where a greater co-operation or co-ordination between HMRC and the DWP would greatly improve the experiences of the common low-income customer base, and simplify the system all round. We back up our findings with case histories and recommendations.

— Our recommendations are grouped according to the customer group—those relating to disabled people, to low-income workers, to pensioners, and issues common to all. They appear in paras 10 to 13 of this submission.

BACKGROUND

1. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation to give a voice to the unrepresented taxpayer and tax credit claimant. Part of our work involves examining the interactions between tax and benefits, particularly in the “hybrid” tax credits system which is intended to deliver certain mainstream welfare support through the tax administration. Since HM Revenue and Customs (HMRC) now administers child benefit in addition to child tax credit, that Department has main responsibility for and control over the delivery of support for children.

2. We believe that a major cause of complexity in the welfare system is the fact that it is now split between two different Government departments, each with its own policies, practices and culture developed, for the most part, without reference to the other. The fact that DWP and HMRC can adopt a different approach to the same mutual customer, in the same situation, can only result in confusing the customer as to what they are entitled to, and what their obligations are.

3. In this submission we aim to analyse certain areas where a greater co-operation or co-ordination between HMRC and the DWP would greatly improve the experiences of the common low-income customer base, and simplify the system all round. This is particularly so where tax and benefits interact, whether in assessing entitlement to benefits on net or gross income, or whether determining the tax status of benefits (taxable or non-taxable).

4. In the Annex we describe a selection of cases where claimants have been disadvantaged by the effects of differences, even inconsistencies, in approach between DWP and HMRC.

HISTORICAL DEVELOPMENTS

5. Over the last few years developments affecting the low income customers of the DWP and HMRC have made close inter-departmental working a prerequisite for the delivery of excellent customer service.

6. These developments include the following.

— Tax allowances have failed to keep pace with income inflation so that someone having income of £100 per week (in 2007–08) can be in the tax net, while being below the relative poverty threshold.

— Child benefit, tax credits, National Insurance, NMW enforcement have come within the control of HMRC whilst responsibility for most other “poverty” measures rests with the DWP (including local government).

— There are complex passporting rules for customer benefits spanning both departments, but neither department takes primary responsibility for co-ordinated policy, or joined-up advice, on passported benefits.

BENEFITS OF CLOSER WORKING

7. Greater co-ordinated effort will produce the following benefits:

— appropriate joined-up information will get to the mutual customer base;
— customers will not be required to duplicate the information they give to each department;
— matching and comparing information on customers held within each department will result in more accurate computations of their entitlement;
— customers will be less confused about who is responsible for what services, payments or claims.

ISSUES AFFECTING CUSTOMER GROUPINGS

8. With that background we now turn to the issues affecting various customer groupings—namely disabled people, low-income workers or jobseekers, and pensioners. We do not pretend that the lists are exhaustive, or that the issues are of equal importance, but what we do recommend are that the issues should be on the agenda of both departments, who should have a timetabled programme for dealing with each issue raised.

9. There are inevitably some issues which apply equally to all categories of customer and to save repetition we are setting out these first.

10. COMMON ISSUES

1. The DWP have a freephone 0800 telephone helpline for their lowest income customers, HMRC charge their most vulnerable customers using 0845 numbers. Customers are required to contact both Departments frequently to notify changes in circumstances. When dealing with their tax credits customers at or around means-tested benefits levels, we recommend that HMRC should offer 0800 numbers.

2. Opportunities are not taken by one or other of the two departments to emphasise the other department’s imperatives. For example, there is no opportunity for HMRC low-income customers to receive messages about claiming Council Tax Benefit. Such campaigns should be conducted by both departments in tandem so as to reach all in receipt of welfare.

3. DWP clearly consider it important to publish material in major migrant languages for their low-income customers, whilst HMRC only publish in English and Welsh. Either it is important for non-English speakers to receive written material in their own language, in which case HMRC should follow DWP practice; or it is not, in which case DWP should confine their leaflets to English and Welsh and use the freed-up resources on other priorities.

4. We recommend that publications to low-income customers should be produced around recognisable life events for that population. For example, starting work, birth of a child, retirement or bereavement. We also advocate that these should be, at a minimum, productions with a core team from the DWP and HMRC, enriched by contributions from the voluntary sector.

5. It is very confusing and irrational to have differential rules between the DWP and HMRC about who can act on behalf of a low-income customer and what evidence is needed for that purpose. There should be consistency between the two departments on communication with agents and intermediaries.

6. Different definitions are frequently applied by the different departments to the same thing. For example, a married couple is differently defined for tax and tax credits purposes than for purposes of social security benefits. Other examples are given below. We recommend a review of definitions throughout the tax and benefits system, and that consideration be given to harmonising them where conducive to greater simplicity.

7. Many independent organisations provide the public and their advisers with calculators to do calculations of government-provided benefits. The DWP and to a lesser extent HMRC do the same. We recommend that Government should provide one, definitive calculator covering both HMRC and DWP administered benefits, so that members of the public can plan their working lives, child care arrangements and so forth, accordingly.

11. Issues for those with disabilities

1. Incapacity benefit is sometimes taxable, sometimes tax-free. Neither HMRC nor DWP communicates appropriately to customers the tax status of the particular benefit they receive. Accordingly many individuals pay tax when they should not. We recommend that in the transition to Employment Support Allowance particular thought should be given both to how the new benefits are to be taxed, so that there are no losers, and to how their tax status is clearly communicated to recipients.

2. The lack of coherence between benefits and tax credits for people who for family or health reasons need to work reduced hours. For example, carers who have earnings above the lower threshold cannot get carer’s allowance, but nor—unless they have children of their own—can they get working tax credit until they work
at least 30 hours a week on top of their caring responsibilities. We recommend that HMRC and DWP institute a joint review of the in-work support available for carers, with a view to creating a seamless move from carer’s allowance to work-related support.

3. While the DWP increase their home visits, HMRC withdraws from them. A consistent approach is needed from both departments on the availability of home visits for disabled and older people.

12. Issues for those on low incomes seeking to work

1. Seasonal workers have been treated differently as to definitions of recognised cycles of work for Income Support and Working Tax Credit.

2. There are differences of approach towards Maternity Grants depending upon whether the qualifying benefit is IS/JSA or CTC.

3. People who experience a trading loss, or who invest in essential business equipment, can have it recognised for tax credits, but not for certain other benefits—eg council tax benefit. As we observed in 10.6 above, a simpler and less confusing system can be achieved by harmonising the definitions in use by each department.

4. JobcentrePlus staff are not sufficiently knowledgeable on WTC and the qualifying conditions. There is also duplication of processes with HMRC staff on a claimant moving into work. These issues lead to incorrect advice with consequential overpayments and delays. We recommend improved training of JobcentrePlus staff and a rationalisation of procedures between the two departments.

5. Immigration status issues are confused and applied differentially between the DWP and HMRC. Delays to the issue of National Insurance numbers compounds the problem. Tripartite working with the Home Office is required.

A working group should be set up involving representatives of both departments, the Home Office, and the voluntary sector to review the treatment of migrant workers by each department and work towards a consistent policy and approach.

6. The rules for voluntary workers as to reimbursement of expenses are unnecessarily complex and different between taxes/benefits administered by both departments. This causes anomalies and confusion for recipients. An urgent review is called for, with a view to putting in place a consistent approach.

13. Issues for the pensioner

1. Too many pensioners believe the State Retirement Pension (SRP) is free of tax due to a lack of DWP emphasis on tax issues. There are even cases of pensioners being informed by DWP staff that their state retirement pension is not taxable. This causes underpayment problems for taxation.

2. The tax status of exempt benefits such as Attendance Allowance is not emphasised by the DWP, and is sometimes unknown to HMRC processing staff, causing these benefits to be taxed in error by Self Assessment taxpayers.

DWP staff should be thoroughly trained in the tax status of the benefits they administer, and encouraged to impart it to customers. In addition the DWP should issue annually with the payment of each benefit a note of what is taxable, and what is not taxable, in the year of assessment. Such measures should reduce or eliminate the incidence of under or over-taxation.

3. There is a lack of co-ordination between the HMRC/DWP/DirectGov websites on pensioner issues. Different styles are used; often links between sites do not work; and issues where the customer needs a holistic approach (for example on a bereavement or on becoming a pensioner) are dealt with in departmental silos. We recommend that an editorial panel from HMRC and the DWP are joined by representatives of the voluntary sector in order to oversee those areas of the websites which would benefit from a co-ordinated approach.

4. Pensioners use the information communicated by the DWP to their bank to derive the income figures for declaring to HMRC. But the notation for the SRP is the same as for Winter Fuel Allowance and the Christmas Bonus so these can get added in and declared to HMRC who tax them incorrectly. Again, DWP should state clearly which benefits are taxable and which are not.

5. The fact that Pension Credit is to be calculated on the SRP after tax is neither explained nor implemented by the DWP, and as a result many eligible pensioners are being denied Pension Credit and the passported benefits that go with it. The DWP online calculator produces incorrect results in such cases. This has been known for two years by both Departments but no serious efforts have taken place to resolve the issue. We recommend that DWP forthwith implement the correct assessment of state pension credit, ie on net after-tax income, and advise pensioner claimants accordingly.

6. For a pensioner who is in receipt of state pension credit and working, there is a passport to maximum working tax credit; but working tax credit is counted as income for the purposes of guarantee pension credit so that the pension credit claim is lost. This can lead to the pensioner losing entitlement to maximum working tax credit. But if the pensioner is also entitled to maximum working tax credit through being on a
low income, they are again entitled to state pension credit, but again they are taken out of guarantee state pension credit by being in receipt of working tax credit—and so on. This absurd circularity can very easily be corrected by an appropriate change in the regulations, and we so recommend.

7. SRP data that has been transferred from the DWP to HMRC appears often to be not used by HMRC when being included within coding notices. Instead estimates are used, which are not disclosed as such by HMRC to its customers. Why should this be so? We recommend that where the DWP supply HMRC with data on the state retirement pension, HMRC should use it. HMRC should also notify its customers when they use estimates.

8. Women pensioners aged 60 to 64 who only have the SRP as their only source of income must complete a Self Assessment tax return if their income is as low as £5,036 for 2006–07. It is ludicrous that a single source of government income can trigger all the bureaucracy of Self Assessment. The answer is for the DWP to be a normal pension payer in such circumstances and operate PAYE on election by the taxpayer. Also the DWP should issue a form P60 equivalent at the end of a tax year as do other pension payers. We so recommend.

9. We recommend that the Pension Service should provide simple awareness messages to pensioners on tax matters relevant to the SRP and other DWP benefits as part of their face-to-face service.

Annex

CASE STUDIES

Case Study 1—Working Tax Credit and Pension Credit circularity

Mrs D (55) is working, Mr D (61) has no income having just lost his Incapacity Benefit. The couple receive a small amount of Working Tax Credit. They apply for, and receive, a small amount of pension credit.

Receiving state pension credit makes them entitled to maximum Working Tax Credit. Therefore if Mr and Mrs D notify HMRC immediately of their pension credit award they will have their Working Tax Credit increased from a small amount of £8.73 per week to their maximum amount of £76.79 per week.

This is where the problem begins for Mr and Mrs D. The subsequent increase in their Working Tax Credit is a change which they must notify to the pension service immediately. The consequence of this is that their pension credit will be re-calculated to take into account the increased Working Tax Credit, thus reducing their pension credit entitlement to nil.

Because Mr and Mrs D are no longer entitled to any pension credit, they are no longer passported to maximum Working Tax Credit. Therefore in order to avoid an overpayment of Working Tax Credit they would need to inform HMRC of this. This will mean that their WTC will be recalculated to a much lower amount.

At this point Mr and Mrs D would most likely re-qualify for pension credit. So Mr and Mrs D are back to the same position they were in at the start. They can now apply for pension credit, which will then passport them back to maximum Working Tax Credit . . . and so the circularity continues.

Case Study 2—Pension Credit and Tax

Mrs W applied for pension credit when she turned 60. Her only income was her State Retirement Pension (approx £110 per week). Her pension credit was calculated at £4.05 per week.

Mrs W felt it was unfair that the tax she would be due to pay on her SRP was not taken into account. Upon investigation she found that in fact her pension credit had been incorrectly calculated and she contacted the Pension Service numerous times to request that it be recalculated. The answer was consistently that tax was nothing to do with the DWP and was a HMRC issue.

Mrs W then contacted her MP for assistance. A letter was sent to HM Treasury asking for clarification of the pension credit regulations. The Treasury confirmed that pension credit should be calculated net of any tax paid, and advised Mrs W to contact the Pension Service again. She did this, enclosing the letter from the Treasury, only to be told again that this was not a Pension Service issue and to contact HMRC.

After going back to her MP, the case has now been resolved and Mrs W’s pension credit has been calculated correctly.

On this particular issue there is at present no mechanism for communication between DWP and HMRC. Nor is there any guidance for pensioners that they should be sending the Pension Service tax estimates obtained from HMRC in order to receive their correct entitlement.

10 April 2007
EXECUTIVE SUMMARY

CPAG’s starting point is not (necessarily) that the system inherently needs simplification, but that the experience and administration of it needs to be much improved. We do not rule out radical simplification but to leap to system reform (including the single working age benefit) as self-evidently a good idea risks overriding sensitivity to need in favour of administrative ease. Without ensuring sensitivity to different needs and capabilities, moves to simplify risk not only being unjust in many ways but creating large groups of losers.

We would welcome simplification in the delivery of health or disability related provisions but some complexity will remain inherent given the needs. Despite this there are practical solutions Government should be developing urgently—we recommend a greater focus on both better staff training to support families and mechanistic administrative improvements, alongside more long term thinking around structural reform.

A complex system makes it more likely that administrators and (prospective) claimants alike will not understand entitlement rules and having been turned down for one benefit problems may multiply when seeking to claim the proper alternative. This complex web of provision between different Departments and tiers of Government inevitably creates gaps for vulnerable people to fall through. A lack of co-ordination and co-operation between the different parts of Government add to the difficulties.

Scheme oversight and consistency is important, CPAG is highly critical of what we see as the failure to allow the Social Security Advisory Committee (SSAC) to cover all welfare benefits and tax credits on a statutory basis, no matter which Government department they happen to fall under.

The lack of regulations is no indication of simplicity—if claimants do not know how systems work and administrators do not administer these equitably. CPAG sees the advantages of personalisation but the degree of discretion needs to be balanced by the risks of a general lack of clarity and consequent accountability for what has been done. CPAG values the rights based approach precisely because by being clear on criteria, it strengthens the arm of claimants to challenge where decisions are wrong and this provides a powerful lever to improve decision making.

Re-balancing financial support towards more universal provision for children alongside the existing tax credits would be an important simplifying measure.

INTRODUCTION AND CONTEXT

1. CPAG welcomes the Committee’s inquiry into simplifying the benefits system. This written evidence develops the evidence we sent to the Public Accounts Committee in December 2005 ahead of an evidence session on benefit complexity.1

2. CPAG, as well as campaigning to end child poverty, is a key second tier advice provider on welfare benefits and tax credits, we advise and train welfare rights advisers and publish a series of handbooks of which our key Welfare benefits and tax credits handbook (widely used by rights workers in take up work) runs to 1,594 pages. Our starting contention is therefore that the benefits system is indeed complex, with multiple rules and benefits, this complexity has grown and it does cause problems. Much of the law on benefits is complex. Often it needs to be so, for reasons discussed elsewhere given the differing groups, situations and circumstances it is seeking to cover. However, even taking this as a given does not excuse the extraordinary levels of complexity written into the law.

3. At the same time we urge caution—the current system is as complex as it is precisely because it seeks to meet varying needs. A less rule-bound system would probably imply greater discretion in decision making and this could simply result in more arbitrary decision making. We believe the key aim for policy in looking to simplify should be to simplify systems as these are experienced by claimants. This might involve system reform, or it could mean improving the administration of the current scheme.

4. We recognise the impact of complexity on claimants (for instance through difficulties in accessing entitlements, through both claimant and official error). As a simple example there are four different sets of rules on backdating which apply to DWP benefits alone—up to three months for some benefits without the need for special reasons; up to 52 weeks for other benefits without the need for special reasons; up to 52 weeks for housing benefit (if you can show good cause); up to one month (or three months in certain cases) for income support and income based jobseekers allowance. A great deal of time is spent by decision makers and appeal tribunals looking at whether a person has good cause or special reason for a late claim.

5. We note the language of the Select Committee inquiry press notice is couched around benefits. This note discusses income maintenance generally not benefits specifically. One of the features of recent reform (tending towards complexity), is the greater involvement of Departments beyond the Department for Work and Pensions (DWP) (including HM Revenue and Customs and the Home Office) in income maintenance provision (we use the term “benefits” synonymously with “income maintenance” to include both benefits and tax credits). We urge the Committee to explore the ways in which different departments work together
to deliver income maintenance policies as part of its inquiry. We argue that similar principles should apply irrespective of the provider department. In particular we continue to argue that the Social Security Advisory Committee should have statutory oversight on regulations affecting tax credits.

6. The Committee’s inquiry is timely; the Freud review has opened up a debate on the viability of a single working age benefit. CPAG is interested and keen to be involved in a debate on this. We do not have a clear position as to whether this in itself is a good idea—our views would be conditioned by the principles of any proposed reform and the process of getting there (about which we know nothing). We are clear however that this should be about more than administrative efficiency, such a process needs to support the goal of tackling child poverty and so we would expect issues such as benefit adequacy and access to entitlements to be considered (in terms of take up, legal entitlement and the balance between rights and discretion in the system). We would have great concerns if moves to shift in this direction increased the extent of conditions and sanctions.

7. It is rather ironic that though the Freud report backs the concept of a single working age benefit, aimed at simplification, Freud also suggests a proposed structure of 11 different regional monopolies held by non-state providers, each managing a sub-strata of delivery contracts with (presumably) myriad individual delivery agencies. Without wishing to imply current Jobcentre Plus (and related) delivery is perfect—it is not—the delivery model Freud proposes feels anything but simple. The same irony applies to the recent welfare reform legislation, announced with discussions around simplification but proposing a highly complex scheme—we don’t yet see sufficient political will to implement serious simplification.

8. We are pleased to see the historical focus of the inquiry because it is CPAG’s view that the current system is complex because its history and the need to meet complex need has led it to be so—serious reform proposals need to engage with an accurate representation of the history.

9. The remit of the inquiry is wide and the terrain inevitably complex. Instead of providing a chapter and verse exploration of the issues, this submission first lays out some of the key problems, and discusses key areas tending towards complexity, before discussing first the law and then the balance between rights and discretion. The submission concludes on principles we urge for a better functioning system.

THE PROBLEMS OF COMPLEXITY

10. There are perhaps three key elements we would like to see in the Committee’s inquiry: exploration of the extent of complexity; the consequent problems and possible solutions. The first is well established. The second may also appear to be whereas the third is much less well understood. The reason we stress these points separately is that the benefits system seeks to meet complex need, and so CPAG’s starting point is not (necessarily) that the system inherently needs simplification, but that the experience and administration of it needs to be much improved. We do not rule out radical simplification but to leap to system reform (including the single working age benefit) as self-evidently a good idea risks overriding sensitivity to need in favour of administrative ease. Here we explore briefly some of the key problems associated with complexity—if simplification of structure or administration is to support tackling child poverty these are the problems we feel it should overcome.

11. Non-take up. Key means tested and disability benefits have low take up. This undermines the implied overall policy goal of getting the correct entitlements to entitled persons and families. Non-take up may be influenced by a number of factors, but complexity leading to a lack of understanding of (potential) awards is a major driver. It is no coincidence that the take-up of the near universal and relatively simple child benefit has been estimated to be 98% whilst child tax credit has been estimated at only 82% (working tax credit is lower still), a pattern made more perverse since the latter is specifically aimed at reducing poverty. Non-take up may be caused by a lack of knowledge but in some cases (probably a minority) it might also represent a choice not to participate—bred by an understanding of the difficulties which might well be experienced in the benefits system, but in either case—that of difficulty in understanding and accessing entitlements or of someone who expects a bad experience and is then put off staying in the system, or applying to it, non-participation damages official anti-poverty objectives.

12. Claimant error. We place concern over error above that of fraud because the statistical evidence suggests the former is a greater problem, because fraud is falling (where error—at least claimant error—is not) and because an over concentration on fraud risks damaging the anti-poverty agenda by stigmatising claimants. If processes are very complex error is quite likely, especially given that poverty may be associated with other factors—such as not having English as a first language or low literacy—which will place claimants at an additional disadvantage in understanding the process of claiming. If processes are complex and if inadequate advice or support (for instance face-to-face advice) is available then claimant error is quite likely, leading to other problems further on (including non-take up, underpayments and overpayments).

13. Poor decision-making, official error and inconsistency. If administrators cannot understand the benefits that they operate then official error is very likely. High error rates, as witnessed by a well-used appeals process and one which frequently awards in favour of claimants, cause difficulties for claimants (for

55 With this in mind it is worth noting both the existence of the Benefit Simplification Unit and a specific guide from the unit, “Simplification guide to best practice” with a forward from James Plaskitt MP and Leigh Lewis, how much difference this has made is a mute point.
instance being denied their entitlements) and they cause difficulties for administration in setting these right at a later date. The voluntary sector is often needed to pick up the pieces of this by providing independent advice and assistance to appeal, yet this is, itself, an indication of broader systems failure and good quality advice is not always easily accessible to claimants.

14. **Delays.** Overworked bureaucracy or one where one bit does not “talk” to the other is associated with delay, and delay associated with a poorer claimant experience and quite possibly hardship. Again this problem is not inherent to a complex system, but it probably is to a complex system which is under resourced in its operation. Delays not only cause difficulty for individuals, and can exacerbate child poverty, but have a knock on impact on the rest of the social security system (through, for instance, the social fund having to cover shortfalls of other benefits which have not yet been paid).

15. **Benefit interaction.** Since significant passporting links exist within the benefits system (including those to outside departments) the capacity for errors to arise increases. The complexity of links between benefits is probably very poorly understood and it is also quite possible claimants do not know about the existence of some passported benefits (including not only centrally provided provision but local support such as school uniform grants which may be passported from receipt of other benefits). This is worsened by departmental ineffectiveness in sharing data, as witnessed by the test case of Mrs Hinchy taken by CPAG, in which the DWP successfully argued that even though one part of it knew about a change of circumstances other parts of the DWP could not be assumed to know about the change—such a basic inability to share records bodes ill for the effectiveness of passporting more generally. Again this factor is worsened by both complexity and poor structures to manage this; CPAG believes there is significant potential to reform the delivery of existing policy (for instance using pre-populated forms or automatic transfer of reported changes of circumstances between systems) to improve its effectiveness and to ease the burden on claimants.

16. **Stigma, time and quality of service.** More generally we would stress that a complex system which requires much of claimants (including stress, time, travel and phone calls), asks them personal questions, particularly around income and family circumstances, and potentially separates them out from their peers (through the means test) risks stigmatising claimants: undermining anti-poverty objectives and punishing people for their poverty. A decent quality of service, delivered through the DWP or other Departments such as Her Majesty’s Revenue and Customs, should be a matter of right not luck.

**Meeting Complex Health Needs**

17. One area of key complexity is entitlement for those who are sick or disabled. Since judgements need to be made about the severity or impact of medical conditions some of this complexity is inherent. Despite this the current combination of insurance based (incapacity benefit, soon to be the employment and support allowance (ESA)), non-means tested categorical benefits introduced in the 1970s (disability living allowance for those below pension age) and means tested allowances still feels excessively complex. Though non-take up is less well understood for disability benefits as for means tested benefits these do suffer from very low take up which is likely to be attributable to a combination of poorly understood entitlement criteria, poor administration and stigma.56

18. Understanding the complexity of these benefits is doubly important given that they act as passports to other benefits (for instance carers allowance can only be claimed if caring for a person in receipt of the higher or middle rate of the care component of DLA or attendance allowance or constant attendance allowance for war or industrial disablement). These benefits also can increase the amount of tax credits and means tested benefits payable.

19. Government has shown significant recent interest in adult disability, with the welfare reform legalisation and the creation of the ESA. Despite a parallel focus on simplification, these reforms have focused on labour supply. The administration of the soon-to-be-with-us employment and support allowance looks in areas to introduce more, not less, complexity. An example here will be the test of good cause within the ESA, which at present will introduce two different tests of good cause, each of those tests will differ again from those applicable to other DWP benefits, which themselves have a different test of good cause to that applicable for housing benefit. It is CPAG’s view that benefit simplification has been given a much lower priority than policies to get people into work.

20. To contribute to thinking around the position of families with a disabled child, CPAG recently published *Out of reach: benefits for disabled children.* This study started from the understanding that take up of DLA was low and there were administrative hurdles which both made it harder for families to claim and to continue to receive entitlements (which are frequently downrated). The importance of this study to the inquiry is the practical, administrative, steps it urged to simplify the experience of the benefits system. Recommendations included:

- Measures to improve the quality and accessibility of information and advice provided to families.
- Measures to reduce inappropriate re-assessment, including automatic awards for some groups (for instance children with a terminal illness) and longer term awards.

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56 With people resisting filling in claim forms which require them to describe their, to their children’s, most difficult incapacities.
— Shorter claim forms, better use of previously collected data (including pre-populated forms), tailoring forms to make these more relevant.

A DLA run-on for three months whilst an appeal was active to protect against the financial cliff edge if an award is downrated.

— Better working across different partner organisations (DWP, HMRC, health and local authorities including better provision of advice).

— Ensuring language and publicity used to describe conditions is appropriate, widely available and does not stigmatise children’s conditions.

— Better disability awareness training for staff dealing with families or assessing forms, or the use of specialist decision makers.

21. We would welcome simplification in the delivery of health or disability related provisions but some complexity will remain inherent given the needs. Despite this there are practical solutions Government should be developing urgently—we recommend a greater focus on both better staff training to support families and mechanistic administrative improvements, alongside more long term thinking around structural reform.

SPREADING THE DELIVERY OF BENEFITS

22. One of the most obvious recent structural changes has been the diversification of the ways in which benefits are delivered. There are several elements to this, firstly the number of benefits involved and secondly the number of departments which administer them. A larger number of benefits means different entitlement criteria and involving more departments has brought different approaches and cultures. Both issues increase the importance of linking or passporting rules and arrangements.

23. Until 1966 there was one safety net benefit which applied in all circumstances, provided the claimant satisfied the means test, came within one of the groups that qualified (including the unemployed, sick people and elderly people), and satisfied the other conditions of entitlement for the means tested benefit such as not being in full time work. There are now two (income support and jobseekers allowance)—by 2008 there will be three safety net benefits (with the development of the employment and support allowance) for those under pension age, and one for those over that (the pension credit).

24. Claiming, backdating and entitlement issues are all made more complex by the fact that there will now be four basic benefits rather than one, making it more likely that claimants will claim the wrong benefit or that administrators will wrongly disallow them. As an example, CPAG has frequently heard of lone parents from EU countries who, we understand, are often (wrongly) told that they cannot claim income based Jobseekers Allowance (IBJSA)—they are advised to claim income support which is then refused on the basis that they then may not count as having a right to reside. It may then be months before a claim can be corrected, worsened by the periodic presumption by JobCentre Plus staff that being turned down for income support would also mean no entitlement for IBJSA. The complexity of the example hides its simple implication—a complex system makes it more likely that administrators and (prospective) claimants alike will not understand entitlement rules and having been turned down for one benefit problems may multiply when seeking to claim the proper alternative.

25. Financial support is now delivered by the Department for Work and Pensions, the HMRC, delivering tax credits and child benefit, and the Asylum Support Service delivering allowances to some asylum seekers and their families. In addition Councils pay out housing benefit and council tax credit under the instruction of the DWP, the Department for Education and Skills pay Education Maintenance Allowances and fund Free School Meals, the Department of Health fund health benefits and Social Service departments pick up a variety of groups often otherwise excluded (for instance care leavers and some migrants with children). This complex web of provision between different Departments and tiers of Government inevitably creates gaps for vulnerable people to fall through. A lack of co-ordination and co-operation between the different parts of Government add to the difficulties. The lack of joined up government is amply demonstrated in practice by the lack of co-ordination between the DWP and the HMRC. It is particularly vital that there is close co-operation between DWP and the HMRC in the delivery of financial support to a claimant on a means-tested benefit who has children for whom support is provided by the HMRC. As a specific example, one key link is the process for Jobcentre Plus staff to fast track claims for child tax credit, yet in practice this does not appear to happen. As a result, until this is claimed, a family on a means-tested benefit will be dependent on their adult allowance and the child benefit to survive.

26. Passporting claimants to other benefits (for example those provided by Health and by Education) are the responsibility of a variety of departments. In reality there is no certainty that those who are entitled to passported benefit will be notified of the other benefit and the split between the DWP and HMRC has resulted in a new system of identifying those entitled which has led to long delays. In principle better co-ordination of IT databases ought to allow one department to identify entitled families and inform another but in practice our understanding is that though Departments “sweep” for relevant information this can build delays into delivering provision.
27. Provision across separate departments also gives the potential (and risk) of different approaches taken to policy development. Here there is a broader cultural analysis around the differences between the DWP’s weekly income tests and the annual system used by HMRC or differences in the application and use of appeals, but much more specifically there is the question of scheme oversight. Here CPAG is highly critical of what we see as the failure to allow the Social Security Advisory Committee (SSAC) to cover all welfare benefits and tax credits on a statutory basis, no matter which Government department they happen to fall under. SSAC, in its statutory role, covers all DWP benefits, including Housing Benefit and Council Tax Benefit. The Government persist in exempting it from having any public or statutory role in relation to working tax credit, child tax credit, child benefit and guardian’s allowance, despite having assured Parliament otherwise during the passage of the Tax Credits Act 2002. This dogmatic adherence to the view that HMRC administered provision is somehow different form other welfare benefits is without any justification.

28. The spread of provision across departments is discussed above—here we give a specific example of the legal ramifications of difficulties of links between different elements of provision. An example of these links recently arose in the context of income support and child support. The issue was a straightforward one, or so it seemed. Income support purposes as a weekly means-tested benefit, but how then are payments of child support maintenance which are in arrears to be treated? The answer is purportedly given in regulations 60A to 60E of the Income Support General Regulations 1987. At the heart of the case was regulation 60C, and paragraph (4) and (5) in particular. These provide:

“60C (1) The weekly amount of child support maintenance shall be determined in accordance with the following provisions of this regulation.

(2) Where payments of child support maintenance are made weekly, the weekly amount shall be the amount of that payment.

(3) Where payments of child support maintenance are made monthly, the weekly amount shall be determined by multiplying the amount of the payment by 12 and dividing the product by 52.

(4) Where payments of child support maintenance are made at intervals and those intervals are not a week or a month, the weekly amount shall be determined by dividing that payment by the number equal to the number of weeks (including any part of a week) in that interval.

(5) Where a payment is made and that payment represents a commutation of child support maintenance the weekly amount shall be the weekly amount of the individual child support maintenance payments so commuted as calculated in accordance with paragraphs (2) to (4) as appropriate.

(6) Paragraphs (2), (3) or, as the case may be, (4) shall apply to any payments made at the intervals specified in that paragraph whether or not—

(a) the amount paid is in accordance with the maintenance assessment, and

(b) the intervals at which the payments are made are in accordance with the intervals specified by the Secretary of State under regulation 4 of the Child Support (Collection and Enforcement) Regulations 1992.”

29. The appeal tribunal did not know what was meant by paragraph (5), nor was the Commissioner confident of its meaning. By the time the case reached the Court of Appeal—Secretary of State v Menary-Smith [2006] EWCA Civ 1751, the presiding Lord Justice of Appeal, Lord Justice May, said:

“The legislation which seeks to answer questions of this kind is less than completely clear. It is perhaps idle to say that it ought to be clear. Yet the legislation materially affects the week by week entitlements of parents with care to receive income support, and they and their children are by definition people who badly need the money. It is common knowledge that absent parents often get into arrears with payment of child support maintenance. It is regrettable that a combination of obscure legislation and incomplete and inaccurate presentation of the facts has brought this appeal to this court in a state in which we are unable to provide answers which will both finally determine the particular case and give guidance for future cases”.

And on paragraph (5) he said:

“I do not presently regard regulation 60C(5) as other than obscure, and Miss Lieven did not, despite valiant efforts, succeed in enlightening me”.

And he said of paragraph (4):

“Miss Lieven [for the Secretary of State] submitted that regulation 60C(4) applied and she may be right, although the administrative complications that this might raise with successive haphazard payments of arrears of child support maintenance are acute, as this case has amply illustrated.

30. If the Court of Appeal struggled to work out how the legal test was to be applied—to what is a key aspect of welfare provision—then how are those administering the scheme and on the receiving end of it meant to understand it and their rights and obligation arising under it.

31. Another example of interface difficulties concerns tax credits and DWP means-tested benefits. Perhaps the best example of the labyrinthine complexity created by one transitional rule is the decision of the Commissioner in CIS/1064/2004.
32. This brief exploration shows an increase in the number of benefits and departments involved in benefit provision. We do not dismiss all of the reasons for why this greater spread has occurred (HMRC delivery has brought significant problems but it may also have reduced stigma for some families). However, a wider range of benefits makes it harder for both entitled persons and administrators to know what individuals should be claiming. Delivering benefits through different departments requires a level of joined up government (around administering and around publicising entitlements) that usually does not exist in practice. More complex departmental links also make it harder to co-ordinate passorting of benefits (such as access to free prescriptions and free school meals).

**Administrative Complexity: Revisions and Supersessions**

33. Even once decisions have been made about an initial award, changes to that award bring with them fierce complexity in law worth the Committee’s time in examining. The Social Security Act 1998 was supposed to herald a new and simpler approach to decision-making. It has, with respect, done nothing of the sort. The high water mark for unnecessary complexity must be the rules on revision and supersession arising under section 9 and 10 of the SSA 1998. In other words, how you change an award once it has been made and is in place (eg for change of circumstances). Too much space would be taken up by setting out those rules here. The Committee may simply wish to appraise themselves of regulations 3 to 7 of the Social Security and Child Support (Decisions and Appeals) Regulations 1999, which contain the rules for making such changes. Regulation 7 alone has over 35 main paragraphs, and many, many sub-paragraphs. Regulation 7 is only dealing with the date from which the change takes effect.

34. Perhaps unsurprisingly these provisions have led to difficulties of interpretation and application. They have already been considered by the Court of Appeal twice and by two Tribunals of Commissioners. The last decision of a Tribunal of Commissioners came in at 198 paragraphs and 61 pages long. There have been well over 120 individual commissioner decisions on this area since the SSA 1998.

**Restrictions**

35. The third large area, and cause, of complexity we explore here is the need or desire to restrict access. Though there may be good reasons for applying conditions, and no benefit is unconditional (even child benefit means you have to have a child to qualify), increasing the extent of conditions directly increases the complexity for those experiencing and administering systems. There are both social justice issues here (with a history of tightening restrictions actively making migrant groups more vulnerable) and practical delivery issues for administrators in assessing who is entitled. To illustrate and substantiate this, this section explores two key groups briefly, first young people and benefits and secondly migrants. That it is possible to highlight these as specific groups is an indication of the targeting being used, it also illustrates the impact of restrictions.

**Young people and benefits**

36. Childless young people (16–24 years), have very different (and meaner) entitlements to older claimants. This section lays out some of the differences in treatment to illustrate both an adequacy point—that limitations on entitlement worsen the position of those in transition from childhood to possible parenthood—and to show a complexity point, that the policy drive to restrict entitlements creates both gaps and complexity.

37. Young people and benefits is a hugely complex area mainly due to the fact that they are not only subject to special rules of their own but also to a raft of exceptions within the general benefit rules. For example, those whose only basis for entitlement would be via availability for work are not usually eligible for jobseekers allowance but can be paid a discretionary temporary allowance between the ages of 16 and 17 only in certain circumstances. Furthermore some young people are excluded from benefit altogether (for example care leavers).

38. Between the ages of 16–20 young people may be treated either as dependants of their parents or independent. This needs to be established first as it affects either the parent’s benefits or the young person’s potential entitlement to benefits. For example, a young person in non-advanced education or in specified training who has to live away from their parents or a person acting in the place of their parents may be entitled to income support. There are various hurdles to get over: whether the person is independent; whether they are in non-advanced education or specified training; what their reasons are for living away from home (these can include, amongst others, estrangement or being in physical or moral danger) and finally if living with an adult where that person is substituting for their parents.

39. Those who have to sign on will also be required to join the New Deal for Young People between the ages of 18 and 24 and non attendance opens the door to sanctions. In some areas other types of employment programmes with different rules apply.

There are a specific series of differences which affect this group and which add to general benefit complexity, including lower rates of means-tested benefits, no entitlement to working tax credit unless as a disabled worker or looking after a child and the single room rent restriction placed on housing benefit.
Immigration

40. This second group illustrates not only the difficulties associated with having a group systematically treated differently, but also one where the pattern of reducing entitlements over time has increased both restrictions and complication.

41. There are various rules that claimants have to satisfy in relation to immigration status and residence which create complexity within the benefit system.

42. There are several residence tests that apply which differ for non-means tested and means-tested benefits and which have a different impact depending upon whether the claimant can rely upon European Community law. For example, the ordinary residence test delays entitlement to disability benefits for those who may be legally resident but for those who come from the European Economic Area periods of residence in those states can allow them to qualify straightaway; the habitual residence test applies to means-tested benefits but, since it is a phrase undefined in domestic law, it took eight years to obtain a final clarification of the law in the House of Lords.

43. The right to reside test introduced in May 2004 in response to the expansion of the European Union (EU) has brought immense complexity into this field. It was designed to exclude nationals from eight of the new member states (A8 states) from accessing social security benefits unless they had a right to reside in the UK. However, the test applies to all claimants not just those from the new EU member states. Deciding whether a person has a right to reside is a complex issue, requiring a thorough understanding of EC law, immigration and nationality rules, and how the test applies to nationals of the old EU, the A8 and A2 countries. CPAG has noticed poor decision-making in this area which has led to severe hardship for claimants and their families. There are also areas where the law is unclear as to whether claimants from EU states are entitled or not.

44. It is often then left to caselaw to clarify legal entitlement, both the habitual residence test and the right to reside test have generated copious caselaw, some of which has had to be dealt with by Tribunals of Commissioners.

45. Another example is asylum seekers, and the increasingly complicated manner in which successive administrations have sought to shut them out of benefit entitlement. See for example regulation 12 of the Social Security (Persons from Abroad) Miscellaneous Amendments Regulations 1986 (SI 1996/30), and the three Court of Appeal decisions and one House of Lords decision that alone gave rise to as to the meaning of the regulation.

46. The reason for much of these differences in rules in relation to immigration and young people appears to be control; the result is incredible (and often unnecessary) complexity. CPAG would like to see these rules examined to better align entitlements for these vulnerable groups with the majority of the population.

Rights and Discretion

47. Over the history of the development of social protection systems within the UK there has been a tension between the extent to which benefits are based on codified legal rights or a more discretionary basis where administrators have scope to make decisions as they see fit (presumably within a scheme of guidance or regulation). These two concepts describe poles, with a spectrum in between on which particular schemes or benefits sit. This section uses the examples of the Social Fund and the advisors discretion fund to illustrate the continuing tensions between rights-based and discretionary approaches and some of the problems this creates.

48. The post war National Assistance scheme had a significant degree of discretion within it, the drawback being that it was not always clear precisely what was going on and given that administrators had significant scope to apply discretion, the ways in which decisions were taken could be stigmatising (an example often quoted includes officers demanding to see bed linen) and could vary by administrator and postcode.

49. The shift towards more codified rights based systems (through the supplementary benefits scheme reforms) allows greater clarity of what is going on and a clearer mechanism for individuals to challenge where decisions are wrong. The ability to appeal decisions both has the individual effect of reversing wrongful decisions and the scheme effect of incentivising the bureaucracy to reduce official error. At the same time the need to codify produces more regulations and will reduce flexibility, leading inevitably to charges of greater complexity. However, the lack of regulations is no indication of simplicity—if claimants do not know how systems work and administrators do not administer these equitably.

50. Though the 1988 reforms (following the Fowler review) reinforced aspects of the rights approach, these also introduced the Social Fund and established three types of discretionary payments: crisis loans, budgeting loans and community care grants. These replaced the grants made via single payments under the (old) supplementary benefit scheme and grants made as part of urgent cases payments of supplementary benefit. The motivation of the reform may have been to cap expenditure though the single payment scheme but the result was to restrict access to grants (witnessed by the pressure on the current social fund and the
extent to which claimants access alternative forms of (often exorbitant) credit), and the extent to which current awards are discretionary and budgets are devolved results in postcode lotteries of provision (where you might get a grant in one location but not another, even though the circumstances were identical).

51. The second example we quote is the Advisers Discretion Fund (ADF)\textsuperscript{57} which is used by personal advisers at Jobcentre Plus to facilitate work return. Though clearly claimants do need access to a fund which can support them to overcome barriers to work (eg a lack of suitable clothing), the key question hanging over the ADF is exactly what is going on in it? Payments are authorised by the Personal Adviser and so are dependent on the nature of their relationship with the claimant (we are not aware of safeguards to protect against discriminatory behaviour by staff, deliberate or unintended) and its existence does not seem to be advertised and there is currently no right of independent review as is the case with the social fund. Many of these downsides lead directly from this discretionary approach.

52. The tension between rights and discretion continues to be relevant, with the Government’s decision to incorporate the principles of the European Convention on Human Rights into domestic law strengthening the rights approach, but at the same time moves towards greater personalisation through Jobcentre Plus services increasing the extent of discretion. CPAG sees the advantages of personalisation (for instance in designing support to facilitate return to work) but the degree of discretion needs to be balanced—personalisation carries the same risks as discretion has always done of a general lack of clarity and consequent accountability for what has been done.

CONCLUSIONS: PRINCIPLES OF A WELL DESIGNED BENEFITS SYSTEM

53. As stated at the start of this submission CPAG is keen to engage in this debate but it is not yet clear in which direction moves to simplify the benefits and tax credit system are moving—there is no clear strategic direction. This makes it difficult to comment in detail about the likely impact of any reforms—for instance we have as yet had scant discussion around the implications of reform for the National Insurance scheme. We are left with the distinct feeling of a complex system, with system-generated obstacles within it which could benefit from significant overhaul.

54. We began this submission by suggesting three key elements for your inquiry, first identification of the extent of complexity; second identifying consequent problems and third identifying solutions. The first element is seems without reasonable dispute, the benefits system is highly complex. The second (consequent problems) informs the third (solutions) and bears more consideration, the evidence in this submission suggests that though the benefits system is complex, many of the problems felt by claimants actually result from administrative system failings (eg of departments to effectively talk to each other, or align rules, systems or processes). Clearly such administrative failings may link with structural considerations (such as delivery through different benefits or departments) but this does imply that there are practical, achievable steps to improve the way benefits are delivered and the complexity encountered by claimants on which urgent progress is possible. Longer term we welcome the debate around structural reform but with the coda that achieving this should not be at the expense of sensitivity to meeting complex need—we look to simplification to deliver tangible improvements for families which support moves to halve and eradicate child poverty, not only to ease administrative burden.

55. The fact that different families have different needs is perhaps the core reason for why the income maintenance system has got as complex as it has. Any moves towards simplification, or a single working age benefit, need to consider how such financial and personal needs would be met under a simpler system—for instance families with a disabled member need a higher level of income to achieve the same standard of living as those without disabilities. Equally the current system applies different levels of conditionality to different groups because it accepts (to some extent) differences in individual capacity to work—any effective system needs the ability to cater for many different financial and personal needs. Without ensuring sensitivity to different needs and capabilities, moves to simplify risk not only being unjust in many ways but creating large groups of losers.

56. Given that we live in a complex, often legalised, world we feel the Committee could usefully spend time investigating how citizens are “prepared” understand and to realise their rights. This highlights both the importance of legal education (and with perhaps a link in to the citizenship curriculum) of children as they grow up. It also highlights the importance of the advocacy role performed by independent advice services. CPAG’s experience is that independent advocacy is under significant pressure, yet its role is critical to supporting claimants manage and negotiate complex systems (from general funding difficulties, pressures generated by the review of civil legal aid and from pressures generated by repeated reform of benefits and related provision).

57. One area of complexity the Committee should consider is the extent to which under recent years the number of departments (let alone differences across devolved administrations and down to the level of local authorities) involved in benefits delivery has increased—DWP provides means tested benefits, National Insurance benefits and social fund; HM Customs and Revenue maintain child benefit and the tax credits; the Home Office provide support for some asylum seekers (local authorities for others and charities for those

\textsuperscript{57} As an aside the historical roots of the current ADF may be traced to the single payment scheme (or an urgent cases payment) under supplementary benefit before 1988—a further example of diversifying provision.
whose claims are rejected); DfES provides the Education Maintenance Allowance and the Department for Health provides prescription charge exemption (and others). We do not offer a view around whether DWP or HMRC should operate schemes (we do argue however that asylum seekers should be dealt with by mainstream systems), but the organising principles should be similar (and these are often not) and the linkages between departments should be good: claimants do not see discrete parts of Government which may or may not talk to each other, they see government services who they expect to know what has already been told to them.

58. CPAG, as an organisation campaigning for the eradication of child poverty, remains committed to universal solutions such as child benefit. Universal policies are undoubtedly more costly, but they are simpler, easier to administer and much more effective—they do not suffer the same level of problems of non-take up, claimant and official error, overpayments, underpayments and work incentive problems which bedevil means tested arrangements. As part of the “Make Child Benefit Count” campaign CPAG is calling for the rate of child benefit paid for second and subsequent children to be raised to that of the first. Re-balancing financial support towards more universal provision for children alongside the existing tax credits would be an important simplifying measure.

59. We urge the Committee to reflect on the impact that current “efficiency” savings are having on the effectiveness of administration, having sufficient, well motivated and trained staff is clearly important in helping support claimants negotiate the current system.

60. The balance between rights and discretion needs careful consideration. Moves towards personalisation have advantages in terms of gearing services to individual need but moves in this direction increase the scope for discretion which has traditionally been associated with greater risks of discrimination, variable service (such as postcode lotteries), a lack of accountability (made worse by the greater difficulties of monitoring) and in challenging wrong decisions. CPAG values the rights based approach precisely because by being clear on criteria, it strengthens the arm of claimants to challenge where decisions are wrong and this provides a powerful lever to improve decision making.

61. Finally, in summary, CPAG would like to see a simpler experience of the benefits system, which might include looking at the current complexity of benefit regulations and the structure of the system or its administration. We do not believe it can be taken for granted that the root cause of the poor experience too often experienced by claimants solely results from complexity—the effectiveness of structures and bureaucracy in managing these also play a significant role.

ABOUT CPAG

CPAG is the leading charity campaigning for the abolition of poverty among children and young people in the UK and for the improvement of the lives of low income families. CPAG aims to: raise awareness of the causes, extent, nature and impact of poverty and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. CPAG is a founder member of the campaign to End Child Poverty.

REFERENCES

ii As noted by Paymaster General Dawn Primarolo MP. Hansard Column 816W, 2 March 2004.
iii HMRC, Child tax credit and working tax credit take up rates 2004–05, HMRC, 20007.
iv For example, in terms of overpaid benefit the DWP have estimated a fraud level of 1% for the Pension Credit, compared to 1.4% customer error and 2.6% official error (hence 1% fraud and 4% error). For income support the DWP estimate 2.1% fraud, 1.1% claimant error and 2.0% official error and for jobseekers allowance 1.9% fraud, 1.4% claimant error and 2.0% official error. In each case error costs more than fraud. See DWP, 2006, Fraud and Error in income support, jobseekers allowance and pension credit from October 2004 to September 2005, National Statistics, 2006
v See DWP, Fraud and error in income support, jobseekers allowance and pension credit from April 2004 to March 2005, 2006, National Statistics
vi This case was heard by the House of Lords in February 2005. The case related to a claimant who was overpaid one benefit (income support), as a result of another having come to an end (Disability Living Allowance). The ruling suggested that the claimant had failed to report the change, even though both benefits were administered by the same department.


viii R(IB)2/04.
INTRODUCTORY THOUGHTS

When I did welfare benefits advice work 25 years ago we expected to train new benefits advisors in one week. Anyone could do it! Today we run two-year long courses and also employ specialists with expertise and experience in particular benefits. Why?

The system has become massively complex. A typical claim form was five or six pages long. Today several run to 50 pages or more. This has had several effects:

1. Under claiming amongst the most disadvantaged—the paperwork is too intimidating and complicated.
2. High rate of failure amongst legitimate claimants—they just fill the form out wrong and never know why they were turned down but assume they weren’t eligible.
3. Expensive bureaucracy—primarily occupied with administering the system but also in the advice industry. I fear we will soon reach the point where lay people won’t claim benefits without the help of an advisor any more than most of us would expect to do the conveyancing on a house without a solicitor.
4. Anomalies and absurdities—No government intended to create the Poverty Trap but as the system has become more sophisticated the trap has become a bigger problem.

It seems to me that successive governments have tried to improve and repair bits of a system which needs rebuilding. I remember hearing Malcolm Wicks (MP for Croydon North) say some years ago that there had been 134 additions to the Housing Benefit system since its introduction—no doubt it is a larger figure today and no wonder it is so complicated. The Child Poverty Action Group (cpag) annual “Welfare Benefits and Tax Credits Handbook”, at least three inches thick and growing, highlights this growing complication. There are good bits in the current welfare reform green paper but they are building on, or shoring up, a structure that has been patched up for too long.

I wonder what a modern benefits system would look like if we started with a blank sheet? I am sure it could be simpler, fairer and no more expensive. Suppose an eminent academic professor(s) was invited to lead a team that would design a new system based on principles and criteria laid down by ministers but designed outside government ie without any existing baggage? Starting now (March 2006) would be timely as we mark the 60th anniversary or perhaps it could be developed as a suitably ambitious project for a new prime minister?

MAIN RESPONSE

“There are so many people who are entitled to benefits but don’t claim, either because they don’t know they are entitled, or because they find the system complicated and impenetrable.”—Jo, aged 27; taken from “Need not Greed” (2006) p28.

INTRODUCTION

1. A careful and systematic reassessment of the benefits system is needed: The government acknowledges that “The present benefits system for people of working age is too complex. . . . We need a simpler benefits system” (DWP, 2006, p 92). The current government pledges to rationalise the system: “Benefits often overlap and have complex interactions with each other and Tax Credits. The next step is to review the range of benefits to identify the challenges to creating a single system with fair and effective solutions” (DWP, 2006, p 92).

58 The legislation for the benefits system fills about 5 foot of books; and the case law would fill another 10 foot of books—though unhelpfully the case law is not compiled in one easily accessible format.
2. The National Audit Office (2005) and Committee of Public Accounts (2006) have both produced strong reports recommending simplification of the benefits system, which examine some of the questions raised by this current Work and Pensions Committee inquiry. The main conclusion reached was that whatever direction of reform is chosen it will be incredibly difficult to achieve.

3. The Department for Work & Pensions has established a small Benefits Simplification Unit in mid-2006, which has a very limited budget and staff, and a remit for only looking at simplifying current or future benefits legislation, rather than the mountain of rules and regulations which have built up over the previous 60 years and cause the bulk of complexity. There is political acknowledgement that the benefits system needs to be re-examined and simplified, however the questions remain how, when, at what cost: financially, socially, morally and politically, does a simpler benefit system come at.

4. A period of evidence gathering, new policy formulation and budgeting needs to be undertaken, so we welcome the Work and Pensions Committee inquiry. However, whatever changes are recommended, the socio-economic and political ramifications that an enhanced or new system would entail will need to be fully explored before going public (including as far as possible the benefits, risks and unintended consequences). The change will need to be driven by some very bold political leadership, and we’re not sure that the climate exists to bring about change on such a huge (and potentially politically risky) scale.

5. The following response answers the inquiries questions by providing evidence, signposts to other sources of evidence, and makes recommendations.

COMMUNITY LINKS AND THE BENEFITS SYSTEM

“Most people I know from my community treat benefits offices as unwelcoming places. There’s a permanent mutual suspicion and mistrust between claimants and officials. The two don’t trust each other.”—Kingston, aged 29; taken from “Need not Greed” (2006) p27.

6. Community Links has over 30 years of direct experience and expertise of the working with people and the benefits system, which has direct relevance for the Committee’s inquiry. Community Links is an innovative charity running community-based projects in east London. Founded in 1977, we now help over 53,000 vulnerable children, young people and adults every year, with most of our work delivered in Newham, one of the poorest boroughs in Europe.

7. Community Links pioneers new ideas and new ways of working locally and shares the learning nationally through linksUK, which provides practitioner-led consultancy and training, research and policy development and a programme of publications.

8. Over the last seven years, linksUK has:
   — conducted over 25 research projects
   — published 28 books and reports based on our research
   — worked with over 5,000 local people using our innovative “Everyday Innovators” approach
   — succeeded in securing 12 national policy changes
   — and has successfully tested 11 ideas for improving delivery of local services.

HISTORICAL UNDERSTANDING OF THE BENEFITS SYSTEM


DISCONNECTED GOVERNMENT DEPARTMENTS

10. The benefit system cannot be examined in isolation—people progress or transition between the benefits, in-work benefits (i.e. tax credits) and tax systems. The continuing culture of government departments not “joining up” merely adds to the growing complexities as new strategies, policies and budgets come into play. Compounded over a number of decades, we have today a complex maze of rules, regulations, loopholes and traps. HMT, DWP, and HMRC have primary responsibility, however DfES, Cabinet Office, DCLG and DTI all contribute to the complexity of the systems. Each of these departments needs to participate in joint consideration of relevant policy proposals of benefits simplification.
Establish a Cross-government Working Group, Chaired by a Cabinet Member

11. We recommend that a cross-government working group, chaired by a cabinet member, be established to provide the forum and political will to work towards a simplified benefits system.

Link Databases

12. Government agency database linkages should be made. The current separation between Revenue & Customs and the benefits agencies means that it is relatively easy for administrative error to occur in the payment of state benefits and the overpayment of Tax Credits or Housing Benefit run-on. Linkages may include, for example, showing a person’s situation and therefore eligibility for Housing Benefit, Child Benefit, Working Tax Credit and taxable income and/or taxes paid. This would also help reduce fraudulent claims.

13. Greater database unification would also facilitate a smooth transition from benefits to work. A system that can monitor and track the transition people make from benefits into work could respond immediately to changes and keep the right balance between benefits and tax, guaranteeing a basic income.

Staff Training

“They basically told me I had to become unemployed in order for them (Jobcentre Plus) to give me advice. But when I did that, they started trying to force me to do something completely different, like can driving and factory work. I tried to tell them that I wanted to set up a music school but they wouldn’t listen”.—Otis, aged 36; taken from “Cheats or Contributors (2004).

14. Staff training in reforms to the benefits system is a key issue. Computer systems should make reforms such as Housing Benefit run-on, and automatic reclaim of benefits for people in temporary work, smooth. However, a clear understanding of policy by frontline delivery staff, to inform people of their entitlement and to reduce error, is needed to underpin this.

15. Changes to the tax and benefit system to encourage people back to work must be accompanied by efficient systems, staff training and regular information sharing. For example, while the current system allows one month of Housing Benefit run-on in order to encourage people back to work, in practice confusion between staff in the benefits agency and the Housing Benefit department means that run-on is not always allocated.

Minimise Official and Customer Error and Fraud Incorrect Benefits Payments Highlights Complexity

16. There are three causes of incorrect payments: fraud, claimant error and official error. The distinction between fraud and claimant error is one of intent and severity, with claimant error being accidental omissions of necessary information rather than an intention to defraud the system. Despite the government concentrating resources on fraudulent activity, error is a more significant element of the problem. DWP (2007) figures show that between April 2005 and March 2006, they spent £115.8 billion on benefits. Of this, 2.2% (£2.6 billion) of overall benefit expenditure is estimated to have been overpaid. Breaking this down further, fraud accounts for 0.6% (£0.7 billion), claimant error makes up 0.9% (£1 billion) and official error amounts to 0.7% (£0.8 billion). 59

17. This phenomenon can be analysed at greater depth by investigating the rates for specific benefits, for example Income Support (IS), Jobseeker’s Allowance (JSA) and Housing Benefit (HB). In each of these cases the rate of incorrect payments is higher than the overall figure of 2.2%. Investigating IS and JSA in combination, 4.7% (£550 million) of overall expenditure is estimated (by the DWP) to have been overpaid. Breaking this down, fraud accounts for 2.1% (£240 million), claimant error is 1.3% (£150 million) and official error makes up 1.4% (£160 million). This is the only case where fraud is the most significant single cause of overpayment, but it is clearly still less than overall claimant and official error. In the case of HB, 5.5% (£770 million) of overall expenditure is estimated to have been overpaid, with fraud constituting 1% (£140 million) of that, claimant error being 3.1% (£440 million) and 1.3% (£190 million) is down to official error. Once again, official error is more significant than fraud. Policy and practice would be more effective and efficient if they were designed and implemented with this taken into account.

18. It is estimated that underpayments across the benefits system totalled 0.8% (£0.9 billion) over 2005 and 2006. Underpayment refers only to claimants receiving less than they are entitled to; it does not apply to those entitled to benefits but who do not take them up. It is intuitive to offset this figure against the overpayments figure when assessing how much money is being lost from the benefits system, but because the estimates do not account for overpaid benefit that will subsequently be recovered, they do not provide a measure of net losses.

19. Fraud is the least important cause of incorrect benefits payments. Campaigns to increase the take-up of benefits by those who are eligible but who do not claim through ignorance or fear are far less prominent than those that seek to address fraud.

59note that the sum of monetary figures does not match the overall figure due to rounding.
Unclaimed Benefits

20. Not only is fraud less significant than error when it comes to the causes of incorrect payments, but incorrect payments themselves amount to less than unclaimed benefits. Again, the figures are estimates based on a range of likely values, but even the DWP’s lowest (2006) estimate of unclaimed benefits\(^{60}\) for the period April 2004 to March 2005\(^{61}\) amounts to £4.78 billion. The higher end figure in their range is £8.03 billion. Applying the convention of using the median level as a guide puts the estimated level of unclaimed benefits at £6.405 billion, more than double the estimated figure for overpayments in the 2005–2006 financial year.

21. Even though there is a degree of imprecision in all the figures (due to factors such as sampling error, the difficulty of obtaining accurate statistics on covert activity and identifying administrative errors) and they were collated one year apart, they are still of value in drawing broad conclusions. It is clear from these figures that fraud plays a relatively minor role in the benefits system when compared with administrative error (due to complexity, training and management) and unclaimed benefits. Greater gain is to be made where the problem is greatest, so it follows that it would be more appropriate for policy to address administrative error and low take-up rates, instead of being so strongly focused on fraud.

The Benefits Trap

22. The effects of the tax and benefits rules for people on benefits or low incomes can leave people in the already well-documented dilemma of the “benefits trap” or “poverty trap”, which can “push” and “pull” people to work informally. (Read Copisarow and Barbour (2004) and Katungi et al (2006) for more detail)

23. The objectives of the proposed adjustments to the current policies and tax and benefits rules are:

— To re-balance the carrots vs. sticks, including offering a “nothing to lose” approach to taking a job or starting and developing a business, ie a defined period of guaranteed living cost reimbursement.

— To co-ordinate the tax and benefits thresholds more closely, so that the transition is as seamless as possible for people to graduate from receiving benefits, to progressing through a “no benefits, no tax” point, to becoming a tax payer. This will eliminate some current anomalies in which people's benefits are inappropriately taxed away.

24. This streamlining process will also involve an elimination of such “distortions” as absolute caps on permitted earnings disregards, work hours or savings levels for benefits retention. What is needed instead is a sliding-scale system which encourages people to work, earn and save as much as they can, rather than manage down their capacity to become independent of State support in order to fit into the current benefits rules.

Incentives and Disincentives to Work

25. There is always a balance to be struck between legitimate monitoring and creeping bureaucratisation. At the moment, too many people lose out on their legal right to state support, largely through ignorance or negligence. Under the present system, it is difficult to understand and calculate whether an offer of work will actually boost income when benefits will be lost. This intimidates people considering leaving benefits and taking on work.

26. Theoretically, In-Work benefits, taxes and welfare benefits operate in concert to provide good financial incentives for single people, couples and parents to take on work, but in practice fall short when it comes to facilitating opportunities for promotion and increased earnings. Confusing rules and flawed administration serve to discourage optimal take-up.

27. If the benefits system were simpler it would be easier to identify fraudsters, but it has been shown that this should not be the primary focus, because improving efficiency and reducing error would increase take-up by eligible claimants failing to make claims. Uncoupling passported benefits is an obvious progression: if people did not immediately lose other benefits when losing Income Support, they would be more inclined to take the risk of transferring into formal employment.

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\(^{60}\) combining estimates for Income Support, Pension Credit, Housing Benefit, Council Tax Benefit, Jobseeker’s Allowance.

\(^{61}\) note this is not the same period as the fraud and error statistics cited previously which apply to the following year.
UNDERSTANDING OF WORK

28. The structures that deal with work, such as the Revenue & Customs and the Department for Work and Pensions operate on the tacit assumption that people have a shared understanding of the ideas around the concept of “work”.

29. Our research indicates that there is variation around the ideas about work. People newly arriving in the UK may have a different understanding of work. The differences may be sharper among those arriving from developing countries. The different understandings of work may make people unresponsive to institutions that try to encourage people to participate in UK society and especially into formal paid work. It may render back-to-work services inaccessible.

30. A system that is sensitive to people’s needs should recognise diversity. The rules, systems and norms from a particular country may be a point of diversity as much as culture, language or shared experiences. If services are to be sensitive to diversity, and to reach out to people whom they often find hard to reach, they need to be able to deal with the idea that people have different norms and understandings of very fundamental concepts. Can we assume that people know how to search for jobs, that they know what a job agency is? Is this a norm in their country of origin? Services such as Jobcentre Plus or back-to-work organisations need to be clear about the idea that people may have preconceptions that they bring with them from their country of origin about what work is and isn’t acceptable for someone with their qualifications to do.

BENEFITS AND INFORMAL PAID WORK

31. One of the consequences of a benefits system which is complex, bureaucratic and slow to respond to people’s changing circumstances, is that it pushes some people into informal paid work. The benefits system creates disincentives for people to return to formal paid work. In particular, fears about inefficiencies in the system can make people wary of building up arrears while waiting for run-on or reinstated payments on returning to work. Some people are no better off when working formally, due to losing linked benefits.

32. Read Community Links latest research report “People in low-paid informal work: Need not Greed” (2006), for evidence and recommendations, about the relationship between the benefits system and informal paid work; and visit: http://www.community-links.org/ourwork/1Epage_page159.aspx and www.informaleconomy.org.uk (to be launched in June 2007).

INCREASE THE EARNINGS DISREGARD

33. The Earnings Disregard is the amount a person can earn before their earnings are offset against their benefits and it has hardly changed in almost 20 years. Levels are low; for example, single people signing-on have to declare any earnings of more than £5 per week before they lose out—meaning that if they were being paid the Minimum Wage they would not be able to afford to work even one hour per week.

34. Levels of Earnings Disregard should be raised and index-linked, enabling people to take transitional part-time or sessional jobs. Specific proposals on this include the following:
   — Introduce an “Earnings Credit”—the First Policy Action Team report (DfEE, 1999) recommended an Earnings Disregard reform using the Australian model of a £1,000 earnings credit pot.
   — Establish a “Community Allowance” scheme whereby local people on benefits are paid to provide key jobs to improve their community (Steele, 2006).
   — The recent raising of Savings Disregard levels to £6,000 is welcomed (HM Treasury, 2005).

HOUSING BENEFIT RUN-ON

35. Housing costs are a major factor in driving people toward informal working. At present, Housing Benefit is withdrawn four weeks after a claimant finds work, meaning that they are confronted with having to pay high rents immediately after they have got a job they do not yet know they will remain in for a sustained period. The Housing Benefit run-on period should be increased to six months so as to maximise opportunities to locate, attain and retain employment.

   “Government should allow claimants to keep some of the key benefits such as Housing Benefit when people get into low-paid work, rather than severing them off straight away and throwing them in at the deep end. When people get a job, you would want them to keep it, but if they face extreme difficulties including homelessness because they can’t afford to rent, they may not keep the job, and sooner than later they will be on welfare again.”—An advice worker; taken from “Need not Greed” (2006) p42
Housing Benefit taper

36. This works in a similar manner to the Earnings Disregard in that benefit is reduced according to income. A person’s Housing Benefit (HB) level is based on whether their income exceeds what they would otherwise receive on Income Support, Jobseeker’s Allowance (income-based) or Pension Credit Guarantee. If it is, a deduction is made at the rate of 65 pence off HB (as well as a further decrease of 20 pence in their Council Tax Benefit) for each pound of excess income. This is higher than the top rate of income tax.

37. Difficulties are compounded where income fluctuates because each week’s earnings constitutes a change in circumstances, so it is difficult to be certain deductions are correct at any given time. These conditions entrench poverty because they adversely affect people doing contingent work. The Housing Benefit taper should be lowered to 36pence in the pound.

Uncoupling “passported” benefits

38. Currently, on losing Income Support, all other passported benefits such as Housing Benefit, Council Tax benefit, free prescriptions and free school meals, are lost. This acts as a disincentive to taking low-paid formal jobs.

“Benefits should not be linked. If you lose Income Support, you lose all other passported benefits such as Housing Benefit, Council Tax, free prescriptions, free school meals. It’s too much to take in for some of our clients considering returning to work. They feel they wouldn’t cope. Why not say ‘ok you will lose this, but keep this benefit for the time being.’”—An advice worker; taken from “Need not Greed” (2006) p43.

Case Studies

39. As part of our current “Interact” project (see below) we are gathering case studies. An interim report will be published and available over summer 2007.

International Examples

40. We recommend that you read Nicholas Boys Smith, “Reforming Welfare”, published by the think-tank Reform, in November 2006, for international examples of benefits simplification.

A Suggested Way Forward for the UK’s Benefits System

41. At Community Links we see that there are three options:
— Continue to take incremental steps in modifying and “improving” existing benefits, which will continue the present mess.
— Develop a new set of values and principles, and apply to the current system.
— Conduct a fundamental review and develop a new system.

42. A work programme aimed at re-thinking and simplifying the benefits system would have to be comprehensive, substantive, rigorous and conducted on such a scale that the findings and recommendations would be taken seriously (and implemented) on many different political levels.

43. The work programme would include:
— Agreeing the values and principles underlying the benefits system. Are the original values still relevant today?
— Deciding whether to develop a model(s) which simplifies the current system or one which starts again with a blank sheet.
— Undertaking an international comparison of benefits systems or lack of them (focusing on outcomes and operations)
— Reviewing the current UK benefits system, which has already been completed by the National Audit Office (Dec 05), examined by the House of Commons, Committee of Public Accounts (Mar 06), and Reform (2006).
— Developing and recommending various benefit system models that could be tested, evaluated and rolled out across the UK.
— Examining the financial and practical realities, including cost-benefit, of undertaking a new or simplified benefits system.

44. In order to conduct this work programme and to persuade the political powers that be, a highly respected, independent and influential group / commission / enquiry would need to be established to lead this work. Members could include prominent academics, voluntary & community practitioners and leaders, and business leaders. Substantial funding (government and/or independent) would need to be secured.
45. Any benefit system needs to be very clear on its principles which will inform who it is there to support, for how long, with how much, for which circumstances. It has to be simple to administrate and therefore value for money.

46. Political parties need to find the courage, foresight and determination to push for a new system, because the current climate might not be that receptive to change, in fact it could be the opposite, nor is it high up the political agenda. However action must be taken—doing nothing is not an option.

COMMUNITY LINKS WORK PROGRAMME FOR 2007 INTO THE BENEFITS SYSTEM

47. The Committee might be interested in our work programme for this year into different aspects of the benefits system. Projects include:

48. “Interact”: We are working with the Charter Institute of Taxation’s Low Incomes Tax Reform Group, and Child Poverty Action Group, with support from SIED, to research the interactions people make as they find work and move through the benefits, in-work benefits (eg tax credits), and tax systems. Our findings will be published in winter 2007 on the back of a specific campaign about the complexities of these systems.

49. Informal Economy campaign: In 2006 we convened a national Informal Economy Campaign Coalition, with 70+ members, to influence and change policy that can support more people, should they wish, to make the transition to the formal economy. We continue to develop www.informaleconomy.org.uk—the world’s first dedicated website to the informal economy. We contributed a number of articles and interviews to the academic, trade and national media (print and radio) about the informal economy. And later this year we will publish a “menu of practical actions to harness local informal economies”, and launch a campaign tool kit.

50. CREATE, the Community Allowance: We are working with BURA, Development Trust Association, National Community Forum (DCLG) and Slivers-of-Time, to develop the Community Allowance which will improve neighbourhoods and change lives by enabling local people on benefits to take on short-term and sessional work in regeneration without losing their benefits status. We are lobbying the Secretary of State to include this in the Welfare Reform Act, and building a network of partners to pilot the Community Allowance in Spring 2008.

51. Towards a welfare state that works: We are working with nef (new economics foundation), with support from the Big Issue Foundation, to capture real life experiences of those affected by the welfare system. We will publish an innovative report, towards the end of 2007, that sets out some of the bizarre anomalies in the welfare system—why, for example, should it cost so much more to send a prisoner to Parkhurst than it does to send a wealthy pupil to Charterhouse? This will enable us to launch a national debate about the welfare state that breaks out of the usual confines of either dull political debate or stereotyping and demonisation—and generates innovative and radical proposals to move forward.

52. National Audit Office / DWP study into benefit simplification: A follow-up study and report into the complexities of the benefits system is being carried out by the NAO—part 2 to a report published late in 2005.

53. Mini-Jobs: Community Links is a member of a project advisory group for the National Council of One Parent Families and the Institute of Fiscal Studies, supported by the Joseph Rowntree Foundation. The project is examining the role and impact of encouraging more mini-jobs (jobs providing work for less than 16 hours a week), so moving people off benefits, and enabling the government to reach its target of 80% employment. The report will be published later in the year.

BIBLIOGRAPHY


Background

1. Advice NI is a membership organisation that exists to provide leadership, representation and support for independent advice organisations to facilitate the delivery of high quality, sustainable advice services. Advice NI exists to provide its members with the capacity and tools to ensure effective advice services delivery. This includes: advice and information management systems, funding and planning, quality assurance support, NVQs in advice and guidance, social policy co-ordination and ICT development.

2. Membership of Advice NI is normally for organisations that provide significant advice and information services to the public. Advice NI has over 80 member organisations operating throughout Northern Ireland and providing information and advocacy services to over 150,000 people each year on over 237,000 enquiries including: social security, housing, debt, consumer and employment issues. For further information, please visit www.adviceni.net.

General

3. Advice NI was invited to participate in a conference on Welfare Reform held at Central Hall, Westminster on Monday, 26th March 2007 and hosted by The Rt Hon John Hutton, MP Secretary of State and Jim Murphy, MP Minister of State, Department for Work and Pensions. The purpose of the event was to consider where the UK is expected to be in 10 years’ time—feeding into the Prime Minister’s 10 year review—Welfare Reform: 10 years on, 10 years ahead.

4. The conference included contributions from the following:

Welfare Reform in the UK

Rt Hon John Hutton MP
Secretary of State for Work and Pensions

The Freud Review of Welfare

David Freud
Author of Reducing dependency, increasing opportunity: options for the future

The German Experience

Professor Jutta Allmendinger
Director of the Institute for Employment Research, Nuremberg

The US Experience

Ron Haskins
Senior Fellow, Brookings Institute, Washington DC

5. In addition there were Breakout sessions which included the Australian Experience—Job Network and Welfare to Work; what now for Welfare Reform and Poverty: Recent US Developments; & Future Trends in European Social Policy.

6. In their introductions, both John Hutton and Jim Murphy talked about the impacts and challenges presented by:

— Demographics:
— Migration:
— Mobility &
7. They went on to put forward the view that “everyone who can work, should work”. This ethos would underpin greater engagement with the private and voluntary sectors; a move towards outcome-based contractual arrangements and payment by results; more individualised, tailored support for those on benefits facing multiple disadvantage; greater progress towards benefit simplification; & greater conditionality in return for benefits particularly in respect of lone parents.

8. Advice NI view:

There may be a conflict between a reform agenda which has the objective of moving people off benefits and into paid employment; and the qualifying conditions for these benefits. Government should adopt a cautious approach to revising qualifying conditions for benefits as this may ultimately be to the detriment of the very people who rely on (or will rely on) these benefits as a lifeline;

Government should also consider the economic situation. The economy is currently strong and arguably supports active labour market policies; should an economic downturn occur Government will need to revisit any reforms implemented with a view to rebalancing the approach to conditionality;

Conference did not debate the role of taxation in the context of welfare reform: analysis focused on the impacts and outflows of claimants moving from benefits to work. Taxation as it relates to sharing wealth, supporting essential services and supporting the most vulnerable in our society merits discussion within the welfare reform debate. In our view it is inaccurate and misleading to hermetically seal the discussion and focus it solely on benefits on-flows and off-flows;

Advice NI believes that there must be a debate on benefit levels and year-on-year increases to benefits. The current levels and uprating structure is in our view contributing towards income inequality and directly contributing towards people on benefits being pushed further into poverty;

Many people pay National Insurance contributions with the expectation that should they become unemployed or ill they will be supported by the benefits system. The reform agenda may lead many to question the use of National Insurance with potential benefit recipients seeing the qualifying criteria for contributory benefits tightening with a view to restricting expenditure; and the national insurance pool itself moving towards convergence with income tax, with a break in the direct link between contributions paid and accessibility to contributory benefits.

There needs to adequate accessible, independent advice provision to allow people on benefits to make informed decisions about moving from benefits to work;

The voluntary sector, and in particular the advice sector, may need to approach the new “contracting world” with caution. There may well be tensions between such fundamental principles as independence, impartiality, confidentiality, advocacy on behalf of clients; and contractual requirements which may incentivise providers to focus on targets to the detriment of the wellbeing of clients;

Advice NI would advocate involvement of service users and potential service providers in the contract design and commissioning stages as well as delivery stage. This inclusive approach should enable a more robust and effective approach—utilizing the expertise, skills and experience of all stakeholders;

On another level any private / voluntary sector involvement in service delivery must have clear accountability processes in place. Social security benefit claimants are used to dealing with, in the main, civil service staff. Any withdrawal from direct provision, replaced by private / voluntary sector involvement may serve to blur and confuse claimants; perhaps leaving them susceptible to unethical work practices as the provider is more concerned with achieving targets then providing a high quality service for the claimant. Claimants may feel unable to oppose or complain about such an approach by a service provider because they may feel that their benefit could be jeopardised;

Tendering for any private / voluntary sector involvement must place heavy reliance on quality as opposed price—due to the vulnerable nature of the client group;

There must be sufficient resources within contractual arrangements with the private / voluntary sector to ensure that work can be carried out not only to the required specification but also to the highest standard. Advice NI believes that the vulnerable clients concerned deserve no less;

Moves towards private / voluntary sector involvement must ensure equality of access. Coverage is important because the particular client group may not have the means to travel and compensate for the providers lack of coverage across a particular geographical area;

Moves towards benefit simplification are to be welcomed—however there would be concerns that any move towards such simplification will create “winners and losers” and leave many benefit recipients worse off;

There needs to be the infrastructure in place to support lone parents to move into employment—in particular accessible, affordable childcare; and appropriate employment opportunities;
The National Minimum Wage should be reviewed with a view to making it a living wage; with attendant scope for reviewing the in-work tax credit support in order to really drive home the point that the Government is committed to “making work pay”. Consideration should also be given to disregard tax credits as income within the calculation for Housing Benefit.

9. David Freud’s presentation continued along similar lines with the view put forward that “work is good for you, claiming benefits is bad for you”. The presentation focused on the need to concentrate resources on the “hardest to help” with associated increased responsibility to be required from these “hardest to help” benefit recipients. Freud spoke about the need to get benefit recipients “deeply placed into work” (for three years or more) and highlighted the need to change the emphasis from job placement to job progression.

10. Advice NI view:

The “hardest to help” very often represent the most vulnerable within our society—in terms of ill health (physical and mental), educational status, housing status, employment readiness, language barriers, income and so on. These same people are the least able to take risks to work. As long as the reform agenda appears to be only interested in removing people as a benefit statistic—not meaningfully supporting people to make the transition into employment—the “hardest to help” may remain reluctant recipients of welfare reform, rather than eager participants;

Linking rules are very important for people who attempt employment but suffer a relapse. Linking rules should apply to all benefits which were in payment prior to taking up the employment opportunity, in particular Housing Benefit and Disability Living Allowance;

There could be a system of much improved “run-on” support (from benefits into work) to incentivise and reduce any perceived risk of moving into paid employment;

In addition to benefit simplification, the issue of bureaucracy needs to be addressed to ensure that linking and run-on systems are streamlined, fast and effective;

Government have much to do to reconcile the points of view that (1) supporting people with health problems into work is the answer to their health problems; and (2) these same people have been assessed as medically incapable of work by both their GP and a doctor of the Department;

There remains doubt that adequate support is/will be in place, particularly for people to manage health related conditions. This point relates to the need for joined up services to be in place across the benefits, employment and health sectors—and ideally with independent advice and information also available to enable benefit recipients to make informed choices about moving from benefits to work;

Increased responsibility and potentially benefit sanctions will effectively penalise those who are already accepted as being the most vulnerable in our society. Sanctions must be a tool of last resort. There must be adequate safeguards in place to protect and encourage rather than penalise;

11. Jutta Allmendinger, Director of The Institute for Employment Research—Nuremberg, spoke about the German experience and highlighted that pre-2005 the German benefit system focussed on preserving the status of people who moved from work to benefits (unemployment insurance assistance was funded through contributions, was earnings-related and duration of up to 32 months). Post 2005 the same benefit has a reduced duration of up to 12 months, and the general benefit system has greater “activation” components including early obligation to register and tighter definitions of suitable work.

12. Ron Haskins, Senior Fellow, Brookings Institute, Washington DC, spoke about the US experience and in particular the five components of 1996 welfare reform in the US:

1. End Cash Entitlement
2. Block Grant Funding
3. Work Requirements
4. Sanctions
5. 5-Year Time Limit

13. It was demonstrated that this has drastically reduced the welfare caseload and has left potential welfare recipients more open to the risks of a downturn in the economy. However this approach has also been associated with very significant increases in resources towards childcare and tax credit top-up payments. There is a view that the punitive measures embodied in the welfare reform law were not the primary cause of its success. Welfare reform was successful because the US economy was good and because in-work supports—child care and health insurance—helped make work pay. Problems with the US approach were highlighted as being the difficulty for welfare recipients to secure continuous employment (often a focus on “take the first job” and not the “best job match”). There was also a very significant issue related to “floundering families”—with a significant increase in single mother households without work and without access to welfare (number has almost doubled since 1990).
14. Advice NI view:

People cannot be left to simply “fall through the cracks” and allowed to “flounder” as appears to be the case in the US.

Given that we are talking about the most vulnerable people in society, acknowledged as being the “hardest to help”, Government should ensure that there are adequate safeguards in place to protect and support not further marginalise and demonise. It was highlighted that “work is the only route out of poverty” but the benefits system must play its part in ensuring that people have sufficient income to put food on the table, keep a roof over their head and provide a basis to make informed decisions about moving from benefits to work;

US speakers reiterated the point that “forced integration into the labour market will not work” without the associated significant increases in spending on areas such as childcare. Government should not shirk its responsibilities in this regard.

15. Advice NI would ask decision makers to consider using the tried and tested Advice NI eConsultation service as a means by which targeted organisations (and the individuals to whom they provide a service) are included in this process. Further information on the Advice NI eConsultation service can be found at http://www.adviceni.net/econsultation/default.asp.

16. Advice NI welcomes the opportunity to input into this debate and would be keen to be kept informed of developments.

April 2007

Memorandum submitted by Citizens Advice

1. Citizens Advice welcomes the opportunity to submit evidence to the Work and Pensions Committee’s enquiry into benefit simplification. The Citizens Advice service advises on more than 1.5 million client problems each year on welfare benefit and tax credit matters, and provides advice on a further 400,000 employment problems. Welfare benefits and tax credits form the largest enquiry area for Citizens Advice Bureaux, and we therefore have a strong interest in seeing welfare reform deliver genuine improvements for our clients. We base all of our responses to government and select committee consultations on the experiences of our clients, acquired from the day-to-day advice work carried out from almost 3,400 advice outlets across England and Wales.

Key Points

— The means-tested benefit system, which includes many in-work benefit and other elements added for policy reasons including targeting and welfare to work, is inherently complex, and cannot be simplified without substantial extra spending or large numbers of losers.
— Benefit simplification should not be considered in isolation from other schemes which affect income, particularly tax credits;
— The DWP should publish and respond to proposals it has commissioned to simplify the system for claimants;
— Many people’s current experience of benefit administration is very poor. This works against understanding and trust of the benefit system;
— Delays in benefit appeals, and problems getting decisions corrected before appeal, also complicate the system unnecessarily;
— Better-off calculations are an opportunity for Jobcentre Plus to present simple and accurate information about benefits, tax credits, in-work benefits and other help in a way that would help promote welfare to work policies. Citizens Advice regularly receives evidence that better-off calculations and other information is partial or even misleading;
— Housing benefit is affected by changes to other benefits and tax credits, and a lack of co-ordination and clear communication can lead to overpayments and rent arrears;
— It would help considerably if people received clear, concise communications about their benefit entitlement. Citizens Advice has long argued that letters should be simple and accurate;
— People receiving benefits should receive a clear statement of what they are getting, and why they are getting it;
— Eligibility for free prescriptions should be available for people receiving IB (ESA) and not just for people on income support;
INTRODUCTION

2. Citizens Advice welcomes the DWP’s analysis of the problems caused by an overly complex benefit system. The Department’s simplification plan 2006–07 published in December 2006 noted that:

“The success of the Department relies to a great extent on its customers and stakeholders understanding the way the system of social security benefits works. The system is complex and simplification is likely to result in both greater effectiveness and greater efficiency. Simplification should also reduce the burdens that the Department imposes on customers, staff, and partners who provide advice and support to DWP customers.

The present benefits system for people of working age is complex. The many different rules may make sense in isolation, but together they can make for a confusing and incoherent picture. This complexity makes it hard for benefits claimants to understand their rights and responsibilities, and hard for staff and advisers to help people to get their correct entitlements. It makes the system more prone to fraud and error and expensive to administer, and often makes it harder to move into work.

3. It is also welcome that DWP has recognised the need, following its Capability Review, to take a more holistic view of its customers, and to make more systematic use of insight about customer preferences and behaviours when designing services.

4. However, we believe that a means-tested system of benefit help, which has evolved to meet and restrict help for specific needs for specific groups, is inherently complex. In addition, the government has continued the policy of developing an extensive range of in-work benefits and payments, some of which may be discretionary, while others depend on an individual’s circumstances. The desire for flexibility and a structure which balances discretion and work incentives will continue to mitigate against a significantly simpler benefit structure. In this context, any significant moves to simplify could only be achieved with either substantial additional investment, or with large numbers losing out in relation to current entitlements.

5. Furthermore, it makes little sense for the question of “benefit complexity” to be examined without looking at the same time at other systems that affect income, including the tax credit system and child support. Both these systems interact with benefits, and both are also complicated schemes. The positive benefits that may be available from benefit simplification for users of the system will inevitably be limited by the current scope of reform.

6. Citizens Advice was pleased to be able to facilitate the secondment of a CAB specialist welfare rights adviser into the DWP’s benefit simplification unit for a period of nine months, a secondment that has now concluded. The secondedee was asked to report on the impact of complexity from the customer’s perspective, and to recommend measures which would simplify the claiming of benefit. We look forward to the publication by DWP of this report and details of how the proposals contained in it are to be taken forward.

7. In January 2006, the welfare reform green paper set out in just six short paragraphs the government’s aspiration to move to a single system of benefits for people of working age, with appropriate additions for carers and people with disabilities, and notes that the next step will be to review, identify challenges and work to create a single fair system that is affordable, deliverable and simpler to understand and operate. The aspiration is welcome but will not be simple to achieve. The National Audit Office report,62 identified many of the reasons why the benefit system has evolved to its current form, and highlighted the factors that would need to be taken into account in any simplification programme. The NAO concluded that “dealing with the problems associated with complexity is a long term project which will require a systematic and strategic approach focusing on system as a whole.”

8. More recently, Sir David Freud has noted that a few weeks is not long enough to design a new scheme, and his report63 to the Department identified some options and areas for consideration.

9. Citizens Advice supports the broad objectives for simplification. CAB advisers spend a lot of time working to explain complex benefit rules and calculations to clients and also to convince benefit office staff to alter decisions they have made incorrectly. Some of this is just poor quality administration, but quite a lot is to do with a system that has grown very complex.

10. We were therefore disappointed that the only justification for aligning the new Employment Support Allowance to Jobseekers Allowance is that it is an opportunity to simplify the benefit structure—without regard to the fact that younger disabled people, under the ages of 18 or 25, will thereby receive a lower rate of ESA than they receive now under incapacity benefit.

11. Simplification should not be about opportunistic measures that take no account of the policy intentions behind the benefit structure. Higher amounts for people disabled at younger ages were designed to offer a degree of compensation to people whose working lives were blighted earlier in their lives through illness or disability. Lower rates in benefits for unemployment reflect a belief that people have access to other means of support up to the age of 25. There are therefore opposing justifications for the structure of support for different groups.

62 Dealing with the complexity of the benefits system National Audit Office November 2005 HC592
63 Reducing dependency, increasing opportunity: options for the future of welfare to work David Freud 2007
BENEFIT COMPLEXITY AND PROBLEMS WITH THE SYSTEM

12. People seek advice and turn to the benefit system when they are unable to support themselves and their families. People usually do not want to claim a specific benefit, more usually a life event such as an accident causing disability or illness, unemployment, retirement, bereavement will prompt a need for help, as can living on a low income, whether in or not in work.

13. People experience the benefit system as complex and confusing for a number of reasons. Citizens Advice Bureaux work shows there is a lack of trust and confidence to engage with Jobcentre Plus (JCP) arising from the following:

- complexity of information about entitlement to claim
- complexity of information gathering including forms, information required and complex procedures involving multiple contacts often with different offices, sometimes concerning the same benefit
- the Contact Management System does not provide sufficient alternative means of contact, depending heavily on the telephone
- length of time taken to process claims and loss of forms or evidence etc
- inaccurate advice, sometimes leaving people in “worse-off” financial position
- inability of JCP to cope with short term changes, eg short term work and return to benefit
- failure to help claimants who need assistance because of illness, lack of skills etc.
- failure to liaise properly within own JCP department, eg with Disability Employment Advisers
- the process for maintaining benefit

14. The consequences of the benefit system failing for CAB clients can be substantial and devastating. Poor administration of a complex system can cause breaks in income and worsening debt. Security is threatened and trust undermined.

15. Complexity leads to considerable interdependence of benefits. Unless people are properly advised, they may not receive all the benefits to which they are entitled. There is no simple procedure to ensure that people receive accurate advice and information about passported benefits and services, or about the range of linking rules and how they apply when people move into work. This compounds JCP’s own ability to give correct information and advice. There are clear opportunities to simplify the benefit structure, including with the introduction of the new ESA from 2008, by extending access to passported help and services to all those on a low income.

16. The Customer Management System does not provide for sufficient alternatives such as paper forms or face-to-face meetings for people unable to use a telephone. The problems caused by the introduction of the CMS and an operating model that is primarily call-centre based, have been well documented and accepted by many including this Committee.

17. The Government is committed to review “policies needed to improve mental health and employment outcomes”.64 There has been consultation around proposed changes to the Incapacity Benefit form but despite CAB evidence on the conduct of doctors administering medical assessments and the quality of decisions,65 the PCA reviews were restricted to descriptors and the introduction of new work-focused health related assessment. While there is real improvement in the wording of the mental health descriptors, concerns remain about medical assessments, the quality of decision making, the new physical descriptors and the fact there is no way to combine scores from mental health and physical tests. If the full range of people’s incapacity is not recognised, their confidence in the system is undermined and they are not properly supported when unwell. For some people, this and the length of time taken and difficulties encountered securing entitlement to a benefit when ill, act as a deterrent to leaving benefits for work.

18. Maintaining benefit can also be an issue for people. Too often it seems as if they are in a constant trail of revisions, appeals and renewals. Even when a person’s illness is not expected to change, they are subjected to regular reviews to avoid fraud. For the client it can feel like constant scrutiny, as when a failed PCA is challenged and won on appeal which can take 9-12 months and then the next renewal claim is often sent out within three months of the appeal decision.

19. An efficient service for people who need financial support because they cannot work is an important building block to security and getting well so that they can move back into work when well enough to do so. The appeals process is being subjected to a welcome review. However, generating confidence requires significant changes in the outcomes of initial benefit applications and not reliance on a prolonged and trying appeal process, the success of which highlights the current level of poor decision making.66 Citizens Advice is receiving reports from bureaux which suggest appeal waiting times of around six months for incapacity benefit, with decisions routinely not being looked at again by a second decision-maker.

64 Pre-Budget Report 2006, p. 87
65 What the doctor ordered: CAB evidence on medical assessments for incapacity and disability benefits (Feb 2006, CAB briefing) which reported the conduct of some EMPs and their reports as rushed, insensitive and inaccurate. See also CA response to Green Paper 2006.
66 In March 2004, 66.7% IB appeals decided in favour of appellant. If a representative was present this success rate was raised to 73.2%
20. Housing benefit is a core benefit that many people receive alongside other benefits. If they are in work people have to notify the housing benefit department separately of every change in income, when it happens. This creates great difficulty for people, particularly when they are moving into work when their income may not be stable and/or if they have several part-time jobs, the income from none of which is regular. In one CAB example, a bank nurse whose hours are irregular is angry, confused and worried; her HB department is unable to provide her with clear information as to how much she should be paid each week.

CASE EXAMPLES

21. The following examples illustrate problems which can arise through poor administration of a complex system. Many examples suggest that clients are being misled by partial, inaccurate or at best confusing better-off calculations, which lead to the client being worse off financially.

Client with long term mental health problems made IS application in July 2006. This was lost by DWP. Client reapplied in November 2006, awarded IS in same month. Original application found in January 2007 and still being processed in mid February for money from July to November 2006.

The client went to her local job centre after failing her Personal Capability Assessment. Client told advisor of her situation at home that she lived with her partner and they had a joint mortgage, and a four year old son. The Jobcentre advisor told her to fill in forms for IS HB CT and to say that her partner no longer lived with her. This was advice to commit fraud.

Client advised by JCP and offered low paid job for 20 hours per week. Now worse off on lower income, £306 in rent arrears and worried about eviction.

A client suffering from a benign brain tumour needed to make a claim for incapacity benefit. Jobcentre Plus told her that she had to claim by phone, but she had struggled to complete the call as she was 70% deaf. This client should have been offered a face-to-face interview to make her claim.

Client on IS decided to return to work part time. Saw Lone Parent Advisor who did financial projection and client led to believe she would be better off. Calculation failed to take proper note of HB taper and client now receiving only small HB and CTB and cannot afford rent and council tax and has massive arrears in both.

Unemployed client had offer of job at 16 hours per week and adviser at JCP completed better-off calculation for her. Client found print-out confusing, did not help her make decision. Calculation when reviewed with client proved inaccurate because done on benefits for previous tax year and calculation for HB/CTB did not take account of Child Benefit income.

A 35 year old lone parent with multiple debts she would like to clear was offered part time job 30 hours (£6.00 per hour) for 6 weeks as teaching assistant at her children’s school. This would leave her £60.00 better off but the job is only for 6 weeks and benefits administration would not be able to reinstate her benefits quickly enough to make taking this job a worthwhile proposition, exacerbating her debt problems.

THE CLIENT’S PERSPECTIVE

22. Clients often fail to understand the benefits system and what the system requires of them. Many people have contact with more than one part of the system, and may be asked to provide the same information. Clients fail to see the need to liaise with each department separately. There is a need for:

— clear, accurate and comprehensible information about entitlement that is readily available
— accurate advice
— accurate and quick decision making
— a full assessment on application of all a clients potential needs
— removal of the need for clients to repeat the same information to different departments
— accessibility to include the most vulnerable clients
— a single point of contact to notify of changes in circumstances that may affect a client’s entitlement and for separate departments to work together towards a single communication to the client

23. It is possible to argue that the system could be as complicated as it wanted to be, provided it was administered correctly, and that people using the system were not expected to understand the system, and experienced it as simple in terms of the outcomes for, and communications with, them. This view however ignores the important role of advice and awareness of benefit entitlement, and the need for a system that is capable of being successfully administered.
Interaction between tax credit and other benefits

24. The Government’s stated intention is to ensure work pays through tax credits and the minimum wage for people coming off Incapacity Benefit. The interaction between tax credits and other benefits can mean people are not better off in work.

25. Both the structure and administration of HB and CTB are enormous disincentives to people thinking about moving into work. Of paramount importance is the clawback of housing benefit and people’s subsequent concern about holding onto their home. The government is introducing changes to housing benefit allowances but the clawback of HB as income rises is not being changed.

26. HB is ignored for calculating Working Tax Credit but WTC is not ignored for HB income. When income is raised as by WTC, the tapers of HB and CTB combine to 85% which means a person gains only fifteen pence for every extra pound earned.

27. Housing costs are usually the largest single item in a household’s expenditure and the one over which there may be most anxiety. We are speaking of family units living from week to week on very low incomes with little or no savings. Households in low paid work that remain dependent on HB have disposable incomes only a little above IS levels.

28. The HB run-on for four weeks in the transition from benefits to work helps but does not address the long term significant drop in income households may experience when they lose HB. CAB evidence indicates that sustainable moves into jobs that genuinely lift people off benefits and out of poverty will depend on further extension of this sort of provision. Jobcentre staff themselves generally felt that HB and CTB as operated do not act as work incentives but that extended payments of the same do act as work incentives. Similarly, local authority staff thought extended payments could act as a work incentive and there was a need for better knowledge of the benefits availability, extending extended payments and a more generous taper rate.

29. Households seeking work only rarely consider HB when examining the viability of low paid work. However, even if people did consider HB (which the government is proposing to publicise), this would not remove the real financial disincentive that HB regulations incur. Like Jobcentre Plus, HB administration is unable to cope with the needs of people involved in short term work and/or flexi-working. It is unable to cope generally with the demands made of it. Government proposed changes to Housing Service Delivery may help speed up HB administration and time taken to process HB applications has improved but there is much regional variation. The slow response of HB administration to changes reported by clients and the inability of HB departments to cope with clients fluctuating incomes compound the challenges facing people who are trying to get into work with problems of debt and rent arrears.

30. If HB is to be an effective “in-work credit” as the government would have, there is a case for reducing the frequency on which people have to report changes, using the same principles as apply for tax credits.

31. Citizens Advice would argue for
   — a simpler interaction between benefits and tax credits
   — a significant drop in the housing benefit taper
   — more leeway to report changes within a certain range of income and less frequently

32. A number of passported benefits are lost when people come off income support and move into work. These have to be taken into account by people as they make a significant difference to their weekly income, such as free prescriptions, free school meals, help with health costs and access to the social fund.

Case examples

A client working 12.5 hours was offered an increase to 16 hours a week. If she did this she would lose her CTB and much of her HB and actually be worse off. She was very upset.

A 22 year old single woman returned to work after 1 year maternity leave. Her HB was suspended and re-instated after 2 months. By this time the client had rent arrears and was working part time and finding that she could not manage on her income, so debts were accruing. She was facing eviction because of rent arrears.

33. Poor liaison between benefit offices and housing benefit and benefit offices and tax credit can leave clients without income for long periods. Tax Credit overpayments can lead to people losing HB because overpayments also arise, which in turn can be difficult to recover. Clients are left in a limbo of procedural timetables

A client informed tax credits and JCP when his contract for work ended but he has not received any benefits for 2 months. JCP say that until they get a certificate from tax credits they cannot award him any benefit.

67 Pre-Budget Report 2006, para. 4.16
68 Survey reported in Housing Benefit and Council Tax Benefit, DWP op cit.
69 Housing Benefit and Council Tax Benefit as in-work benefits; claimants and advisors’ knowledge, attitudes and experiences, Turley and Thomas, DWP Research Report, 2006.
A client was starting a new job after a period of ill health. She undertook 4 weeks temporary work was owed a tax refund. She approached the DWP to claim benefit until her new job starts and was told that as she was owed money by the Inland Revenue (but not received it) she was not entitled to any benefits or financial support such as loans or grants.

34. Clients are frequently simply let down by JCP administration.

A client aged 49 with hearing impairment is permanently sick and receives DLA middle rate care, IS, HB and CTB. He moved to another area and went to his former Job centre where he completed IS and HB forms to change his address. He was told these forms were lost, and visited several other job centres asking for help filling out new forms, but none was able to help because there is no sign language interpreter available.

JCP failed to inform HB of clients change from IS to JSA so the clients rent payments ceased without the client knowing until being notified of arrears.

Client transferred from IB to JSA and completed his HB at JCP. The housing department never received this form, and so HB was stopped. HB payments were eventually resumed but left the client with a deficit of £1200+. He was under threat of eviction for non payment of rent and arrears while awaiting processing of a further HB claim which was likely to be delayed because of a backlog.

Client’s job ended in August and she informed JCP and claimed JSA. She also informed housing department but JCP didn’t inform housing department until 5.10.06 and housing then wrote to her asking for more information. By 27th October she had received an eviction notice.

The need for a record/statement of benefit

35. The move to direct payment away from order books has meant that claimants do not routinely receive a statement of the benefits they are receiving, what they are being paid, or why they have entitlement. Letters in relation to benefit entitlement are still computer-generated, and fall short of presenting a clear statement of benefit entitlement. These simple facts considerably reduce understanding of the system as well as having practical consequences for clients.

36. Citizens Advice is currently in discussion with DWP regarding the development of its “My DWP” project, which will aim to give claimants and intermediaries access to certain benefit claim information online. This is a welcome development, but should not be seen as a substitute for clear written communication with clients.

Cases

An elderly couple with literacy problems were claiming DLA, AA and also CA. They were very confused about the fact that entitlements to benefits don’t necessarily mean that they get those but that other benefits are increased. Different benefits have different criteria which have a knock on effect to other benefits. Even though they do not actually get the money for the benefit the entitlement gives them access to other benefits. The clients are very confused and have difficulty with the forms anyway never mind trying to make sense of the benefit system.

A 78 year old client receiving Retirement Pension and Pension credit applied for Carers Allowance as he cares for his wife. Because of benefit rules, he does not actually get the money, but would benefit from the entitlement as the Pension service would give him a carers premium. It was unclear to him that he had to notify the Pension Service, personally, of his entitlement to Carers Allowance. He received a three page letter which he found confusing. The benefit of underlying entitlement only appeared in the second to last paragraph on the first page.

The client was unaware that she has had an underlying entitlement to Carer Premium since her husband was awarded DLA Middle rate for care in Feb 2006. Her Income Support assessment clearly shows that her Husband gets this DLA awarded yet there is nothing on the Assessment to advise her to consider making a claim for Carers Allowance because she has an underlying entitlement to the Carer Premium. Client is currently looking after Husband who has a long term mental health illness (Bi Polar Disorder). Client also has debt problems. The problem appears to be that the procedure to get underlying Carer Premium needs to be simplified. Either by giving automatic entitlement when the DLA/ AA is awarded so that Income Support/ Pension Credit goes up immediately or by adding something to the AA/ DLA application which triggers automatic entitlement. The current system seems bureaucratic and is not at all well publicised. Clients may go for years getting reduced Income Support or Pension Credit because of this when they are already dealing with heavy care commitments.

A client with literacy and mental health problems was receiving income support at the reduced rate (ie less 20%) due to a recent unsuccessful DWP capability assessment medical. The client was currently appealing against the decision and had received notification that her case had been passed to the Tribunal Service. The client was vulnerable with difficulty holding onto information and poor concentration. She had a lot of difficulty in understanding the amount of paperwork that she had received. The client needed support with the Appeals process because without this she would be unlikely to succeed. The client was unaware of all of the benefits that she might be entitled to.
A pensioner was caring for his 96 year old Mother who receives Attendance Allowance. She had been refused Pension Credit because when he filled out the form he had made a mistake when completing the form. This had reduced their Housing Benefit and Council Tax Benefit. He did not want to go through the appeals process as described in the Pensions’ Service correspondence because it was “too complicated” and came to CAB for help in completing another PC application. The client also asked the adviser to explain the appeals process as described in the Pensions’ Service correspondence because it was “too complicated” and form. This had reduced their Housing Benefit and Council Tax Benefit. He did not want to go through the refused Pension Credit because when he filled out the form he had made a mistake when completing the form.

A CAB benefit check showed that a client should apply for Carer’s allowance to obtain underlying entitlement to that benefit and hence qualify for State Pension Credit. The client found this very difficult to understand.

Client’s 18 year old son is currently suffering from severe depression, and is on DLA (lower rate), IB and IS. He recently received 3 separate letters about his entitlement to IS. The first (dated 16/9/03) told him that his IS would change from 16/09/03 to be £81.70/week. The second (dated 25/01/04) informed him that as benefit rates were increasing, his award of IS would be £83.30 from 13th April 2004. The third (dated 29/01/04), said that he would continue to be paid £81.70/week, but then in the same letter it states that from 24th Feb, he would not be entitled to any IS. It then went on to give a calculation of the £81.70/ week they had just said he was not entitled to. The client was understandably confused by these letters. A CAB adviser phoned Jobcentre Plus for clarification. They agreed that the letters were totally unclear, and blamed an out of date computer system.

**Exemption from Prescription Charges for Low-income ESA Claimants**

37. Although ESA rates remain to be set through regulation, the Welfare Reform Bill provides for the value of the income support disability premium (currently available to low income IB claimants) to be transferred to ESA. The effect of this will be to reduce the number of people receiving some income support and therefore able to access their entitlement to free prescriptions through ticking the back of the prescription form. Instead, many more will have to use the more cumbersome and intrusive NHS Low income scheme route, which has been subject to long standing criticism for failing to meet patients’ needs.

38. The Health Select Committee in its recent report on NHS Charges published in July 2006 called for better cross-departmental working to reduce the extent to which patients have to complete the 16 page long HC1 form to receive help with prescription costs via the Low Income Scheme. It recommended that the Department for Work and Pensions and Department of Health work together to extend health charge exemptions from means tested benefits so that the low-income scheme can be abolished. The Welfare Reform Bill provided an opportunity to begin that work.

39. CAB evidence has long shown that the affordability of prescription charges is a major problem for people with long-term health problems who are on low incomes just above exempt levels. In 2001, a Citizens Advice commissioned MORI survey showed that 750,000 people were failing to get their prescriptions dispensed because they could not afford the charge.

40. This is concerning given that the majority of ESA claimants will be expected to undertake work-related activity as a condition of receiving the benefit. Clearly, a claimant’s ability to pay for medication in order to manage their condition links directly to their ability to undertake work-related activity. Making sure that ESA claimants can easily access help with prescriptions costs should be central to the Government’s welfare reform agenda. ESA, with its clear focus on helping to address people’s health problems so that they can be encouraged back to work, strengthens the case for tackling this problem to ensure that efforts to improve condition management are not undermined.

41. Citizens Advice has recently received indications from the Department of Health that in the context of its current review of prescription charges it is considering maximising the scope for ESA claimants to access free prescriptions without the need for a separate claim via the Low Income Scheme. It would be helpful to have this stated on the record, along with any details of recent discussions between the Department for Work and Pensions and the Department of Health on this issue.

**Cases**

A 60 year old man with several health problems. He has been receiving benefits since 2001. From 2001 to 2004 he received IS then this was changed to IB. He has been claiming free prescriptions since he went on benefit. He has now received letter from NHS Compliance Unit saying that he owes them £117 (including fine of £97.50) because although with IS it is automatic to get free prescriptions, it is not with IB or dla so you have to fill in an HC2 certificate to get it. The client was very distressed as he was not informed at the time his benefit was changed over that he needed to complete an HC2 or risk having to pay for prescriptions. It should be made absolutely clear to clients which benefits carry automatic free prescriptions and which don’t, or they should all be one or the other.
The client has been on IB for 2 years. She lives alone and suffers from depression, and has a alcohol problem. Cl had obtained free prescription thinking that her IB benefit entitled her to do so. The NHS target 1 chemist per month ( information from the NHS ) locally, and look at every prescription issued free of charge and check against the DWP database to see if the patient is in receipt of IS or income based JSA, or qualifies under age rules. If not then the patient is sent out a form to complete regarding their circumstances. Should it be found that there was no entitlement’ then a penalty charge based on 5 times the prescription obtained, up to a maximum of £ 100.00 is given.

The bureau adviser noted the following:

People often think that IB entitles them to free treatment, or just “being on benefits” gives entitlement. After investigating the situation I discovered that cl was entitled to a disability premium as she had been on IB for a year, which gave her an underlying entitlement at the time the charge arose, and on this basis the charge was written off.

The underlying cause is the complete confusion of entitlement. Chemists and opticians seem unsure about even the basic rules, and appear to be passing this information to the public. The NHS do not look in enough detail when giving out penalty notices or liaise with the DWP, other than looking at the screen indicating to see current benefit being paid. If they spoke to the DWP then ( hopefully ! ) they could have informed that the cl had an underlying entitlement to IS, and, therefore free prescriptions.

The other issue is the low income scheme, which can qualify people to free prescriptions. These rules are extremely complex, taking in to account peoples housing costs, council tax paid, and other variables. It would also appear that whilst the NHS often state that IB does not qualify anyone for free prescriptions, in fact there can only be one, two week period when it doesn’t ! This is because IB short term low rate is £ 59.20 which is within £3.30 of a single persons IS = free prescriptions. IB short term high rate is payable after being on IB for 26 weeks which is £ 70.05, which is not within £ 3.30 of a single persons IS = no entitlement, but under NHS rules, when someone has been incapacitated from work for 28 weeks, the IS disability premium is given to their applicable amount, which = free prescriptions ! It is also the same that long term IB would qualify under the rules in the above paragraph. The system needs to be both promoted so people know it exists, and simplified.

Client had been on IB since February. Receives £59.20. He has heart problems and had a 12 month pre payment certificate for 12 months ( taken out before he was made redundant) which has now run out. His prescription has 12 items. He went to the chemist, thinking being on IB would mean he would get free prescriptions, but was told he needed to be on IS or JSA. Was given form HC1 to complete but was told it currently takes about a month for the certificate to come through. He could claim a refund, but he did not have enough money to pay in the first place.

The client cannot get his prescriptions. He either has to find the cost of the prescriptions (12 x £ 6.65 = £79.80) or of a 4 month prepayment certificate (£34.65) out of his IB of £59.20.

April 2007

Memorandum submitted by Professor J H Veit-Wilson

The aim of this submission is to set out and clarify several issues which underlie any discussion of simplifying the benefit system, so that discussion may be better informed about matters which are often neglected but which must be addressed explicitly if effective government policy is to be made and implemented.

The submission is written from the perspective of social policy concerned with making the income maintenance benefit system more effective for those who depend on it. The submission is based upon the government’s demand for “joined-up” and evidence based policy-making, which (as the Prime Minister emphasised) inevitably runs across departmental boundaries.

I have not had time to prepare a longer and more detailed submission and so have omitted the usual academic paraphernalia of supportive footnotes and references, but if there are any queries about the basis of assertions made here, they can be supplied later. I shall also be glad to offer further clarification of any matters which may remain obscure.

SUMMARY

— This problem is not new. All systems of taxes and benefits which are finely tuned to individual circumstances are inherently complicated because individual circumstances vary, and also because the responsibility for different parts of the income maintenance system is divided between different government departments.
— Simplification cannot be discussed in the abstract but must answer the questions, who and what it is for and whose interests are to be paramount. There are many powerful and conflicting interests in the income maintenance system and the methods of achieving their disparate aims can be examined in terms of their effectiveness, efficiency and economy. Benefit claimants must be listened to and their interests recognised; they should never be among the losers in any simplification.

— Although the Committee’s inquiry is only into the benefits system for which the DWP is responsible, simplification cannot be discussed meaningfully if it does not take account of the interactions with the tax system [HMRC’s responsibility] and the overarching role and interests of HM Treasury.

— The same principles should be applied to all who benefit from the government’s income maintenance policies or who contribute to them, when selecting those to benefit, offering incentives to work, or applying marginal tax rates.

— Efficient and effective tested methods of benefit administration are in use by the DWP and other departments. Benefit simplification could be furthered by extending their scope to make existing complex systems of means-testing redundant.

OLD PROBLEMS AND OLD SOLUTIONS.

1. The problem of complexity is not new. If you want to tune the structure and levels of income maintenance benefits very finely to the enormous variety of constantly changing individual financial circumstances, you will inevitably have a complicated system. This applies just as much to income tax deductions and tax credits as to cash benefits. It applies to many other means-tested benefits as well.

2. Complexity is also inevitable when the responsibility for different parts of the income maintenance system is divided between different government departments which work according to different rules and principles. If simplification is to be rational and not merely symbolic, it must address all the sources of complex benefits and not just those of one department.

3. Lord Beveridge had reviewed and stressed the inevitability of complexity when he wrote his famous Report on Social Insurance and Allied Services in 1942:

   The social security system even when unified and simplified in the way proposed here must still be a machine with many parts and complications to deal with all the complexities of need and variety of persons. Citizens cannot be left to find out all about it by reading official pamphlets, however clearly they may be written. [para 397]

4. He offered two examples of solutions which are as relevant today as then:

   — To avoid complexity by using simple, straightforward methods to target the eligible population—Family Allowances, now Child Benefit, paid categorically to each eligible dependent child irrespective of the parental income. They are highly effective in reaching their targets and highly efficient in using very few resources to do so.

   — To recommend that the expert help and advice which people need in order to find their way round the complicated system to get the benefits to which they are entitled should be located in every benefit office. The system today is, however, so complicated that even the DWP staff have to refer to the voluntary sector, the Child Poverty Action Group’s (CPAG) welfare rights guides, to augment that expertise.

Who pays for advice?

5. In principle there is no difference between the complexity of the income tax system (and, for businesses, the VAT system) which affects people on middle and higher incomes, and that of the benefits and tax credit system which mainly affects people on lower incomes. But people with large and complicated incomes can afford to pay tax accountants, lawyers and other advisers to deal with their affairs, and a considerable body of specialised expertise has been developed.

6. By contrast, people with low incomes by definition do not have the spare cash to afford to pay similar experts. The advice and advocacy they need is at present supplied by Citizens Advice Bureaux (CABs) and welfare rights agencies run by local authorities and NGOs. But the coverage is variable and constantly vulnerable to grant cuts made in the interests of national and local government economy rather than benefit take-up. Legal support for poor claimants in the adjudication of benefit appeals and a variety of welfare rights issues suffers from similar problems.

7. Therefore as long as government wants to vary benefit entitlements and benefit levels in means-tested benefits and other complicated systems for every individual changing situation, the need for the expert advice for low-income people which Beveridge recommended will continue. The government must accept the responsibility for funding sufficient advice and advocacy services for those who, by definition, cannot afford to pay for them privately.
Ignorance, difficulty—and stigma.

8. No discussion of benefit simplification is complete if it does not deal adequately with the problems of ignorance and difficulty which hinder low-income people from claiming their rights, and especially the stigma which deters some from applying for means-tested benefits to which they are entitled, for example the Pension Credit. Government publicity alone will never overcome the deep-seated revulsion which some people still feel towards claiming benefits based on demonstrating their poverty. The more that the government stresses the importance of social inclusion, the less it should use means tests which by their nature are demonstrably tools of social exclusion.

Simplification—For Whose Benefit?

In whose interests?

9. Who is DWP benefit simplification for, and who says so? Whose perspectives and interests are to be treated as paramount? “Simplification” is nothing more than an abstract word. It only gains concrete meaning in specific context. Every abstraction such as human needs, income adequacy or administrative simplification, should be confronted with the four standard questions—for what? for how long? for whom? and who says?—if we are to understand what they mean.

10. There is no single set of answers to the first three questions because they all depend on the values, interests and perspectives of whoever is giving the answers. We must therefore always ask whose interests affect those answers. Several interest groups are involved in ongoing arguments about income maintenance policy. They include (this is not an exhaustive list):

   — Benefit claimants of contributory benefits such as pensions as well as means-tested benefits, across all age groups and conditions.
   — Government departments, chiefly the DWP and HMRC and their agencies.
   — HM Treasury, whose interests are different from those of service delivery departments.
   — Local government.
   — Employers.
   — Pension funds and other businesses selling insurances.
   — NGOs who deal with the consequences of inadequate incomes.
   — Spokespeople for taxpayers and other sections of the electorate, usually as if this were an interest group in opposition to all the others listed rather than composed of members of them.

11. The answers each of them give reflect their views of what is best for them, not for the other interests listed here (or any which may have been omitted). Their interests may and do conflict. Coherent policy can only be made if there is clarity about the ranking of these interests. Failure to differentiate and address these often conflicting aims vitiates most discussions. For example, public rhetoric often implies that government treats claimants’ interests as paramount, but evidence suggests that in practice many other interests and considerations may carry greater weight with government. Recent government reviews have emphasised the importance of departmental economy above all else. This may not be in the interests of benefit claimants.

Who speaks for the interests of benefit claimants—and what do they say?

12. All the interests above have representative organisations to put forward their distinct interests to the WPC, apart from the first. The only people qualified to speak for the interests of people with low incomes, whether entitled to benefits or not, are they themselves and those who have listened to what they have to say and who convey it to other audiences without conflicts of interest.

13. The evidence over many years from a great many surveys and consultations, including those made for the DWP, have shown that what people living in the UK on low incomes say they want more than anything else is adequate incomes—wages or benefits at which they and their children and other members of their households can take a full part in society without shame and are treated and given respect as full members, not as “the poor”. They want to have the freedoms of choice in our marketised and consumer society which everybody else enjoys.

14. If they can earn a decent living in the labour market they want to do so, but that depends not only on whether any businesses will employ them but also the conditions of work and of care for their other responsibilities (such as child care), and the adequacy of their wages and salaries. They do not want tax burdens which higher income people are not expected to bear. If employers do not offer jobs, or if they can’t work, or if the wage system doesn’t offer enough pay, then they want access to the income maintenance system, whether the DWP’s benefits or any other, to be available without the barriers of ignorance, difficulty and stigma which still surround access to many of these benefits.
15. These widespread and repeated popular views are fully consistent with the government’s commitments to international and European treaties on human rights to adequate incomes to achieve these standards, and with its commitments to reduce and abolish child poverty and to ensure decent living standards for all families with children.

16. Whatever consideration the WPC gives to the submissions made by other interest groups, whether government departments, business organisations or NGOs, research institutes or private individuals, a strong case can and should be made that in discussing simplification of the income maintenance and benefit systems the interests of people with low incomes and in poverty should always be placed above all others. Benefit claimants must never be the losers in any simplification, or be blamed for their low incomes.

Simplification for whom? The interests of benefit claimants.

17. The reasons why this common objective of adequate and accessible incomes for those who currently lack them should always be paramount in considering how to simplify the benefit system are not only moral. They derive from the international and European conventions, treaties and agreements on human rights which the UK government has signed, as well as its commitment to abolish child poverty which inseparably means the poverty of the adults in the households in which children live.

18. Briefly (it is a large subject), the government has signed a number of international conventions and treaties which require it to ensure “that all men, women and children have a sufficient income to lead life with dignity and to participate in society as full members”, that everyone has access to “a wage sufficient to enable them to have a decent standard of living” and also to “adequate social protection”, and to ensure “a decent existence” in which “human dignity must be respected and protected”. These phrases are summed up in the expression “adequate incomes”, meaning adequate for these purposes, which can be tested by reliable social science methods.

19. The UK government acknowledges these human rights, even if it has not yet implemented them. Nevertheless, it does recognise and implement the civil and political rights given by these and similar conventions, and therefore must take note of the UN’s explicit guidance that “states are as responsible for violations of economic, social and cultural rights as they are for violations of civil and political rights”. The international agreements do not require the government to reduce income inequalities, however desirable that may be on other grounds, but they do insist that the government ensures that everybody has adequate incomes. That is the dynamic for the assertion that WPC should ensure that any recommendations it makes for implementing benefit simplification does not diminish these human rights to adequate and accessible incomes for low income people but enhances them.

20. What the UK government and the major political parties have committed themselves to is the abolition of child poverty. It defines this as children living in households whose income is less than 60 per cent of median household incomes (the HBAI measure). This is not a measure of income adequacy to meet the international standards, but of income inequality, which is why the government correctly describes it as low income. By contrast, poverty is generally taken to mean lacking the resources to live according to the international standards, but of income inequality, which is why the government correctly describes it as low income. By contrast, poverty is generally taken to mean lacking the resources to live according to the international standards suggested above. Money incomes are the most important resources for this purpose in marketised consumer societies such as ours.

21. The UK government has recently and publicly re-affirmed its aim to build “a country where no child has to live in poverty, where every mother or father out of work has access to financial support for their children”. It talks about lifting families out of poverty, and about not denying children opportunities because of a disabled parent. All of these aims necessitate clarity about what household income levels are adequate to achieve those stated objectives, whatever other benefits and services people may also need. These are both/and questions, not either/or.

22. However, the government does not know how much income is adequate because it rejects research to establish adequacy, such as that which the National Assistance Board carried out as long ago as 1965. In this situation of ignorance, the House of Commons Social Security Committee’s review of Integrated Child Credit recommended in 2001 that the government should sponsor research to provide a foundation for minimum income standards of adequacy (MIS). Independent social research suggests that the HBAI measures of incomes are not enough for adequacy, and the Joseph Rowntree Foundation is currently sponsoring a major research programme to provide a solid basis for MIS for the UK.

23. These government commitments to the interests of benefit claimants mean that there should be no discussion of simplification which leads to any reduction in benefits for people with low incomes.

Who pays and who benefits? “Winners and losers.”

24. Because of government accounting conventions, costs which can be displaced from public to private expenditure help the appearance of government efficiency and economy. Such displacement may not only be by outsourcing administration, but also on a very much larger scale by shifting the costs and burdens of social expenditure (such as home care, health, education, the consequences of crime, and many other examples) from taxpayers in general directly onto those who have the needs or suffer the disadvantages.
25. The poverty of some people in all its various structural and individual manifestations is generally recognised to impose costs on the whole of society. Similar findings have been shown for income inequalities, in the UK and many other countries, in terms of excess morbidity, premature mortality and a range of asocial behaviours.

26. Balancing the costs of dealing with these social ills and evils between taxpayers in general and those sections of the population which bear the consequent burdens is a matter for ideological argument and party politics, not for this submission. However, there is a categorical imperative that whoever else bears the costs, they should not fall on those who cannot afford to pay them—that is, those on the lowest incomes. It follows that whoever are to be the winners and losers in any rebalancing of complexity or simplification of the DWP’s benefit system, benefit claimants must not be among the losers. Given their low incomes, they must be among the winners.

**Simplification—Some Administrative (And Political) Issues.**

*Simplification for what—effectiveness, efficiency or economy?*

27. Effectiveness is a measure of goal achievement. Each of the interest groups has its own aims and objectives, the goals it wants to achieve. The public debate, especially in the mass media, is coloured by the power which groups have to articulate their interests and have them heard and acknowledged. Benefit simplification may be in the interests of some groups to achieve their goals, but not others.

28. Efficiency is a measure of resource usage, inputs against outputs. Benefit simplification could lead to the DWP becoming more efficient but less effective in reaching its target beneficiaries.

29. Economy is a measure of resource usage alone. The most economical department is one which spends no money. It is often confused with efficiency. The most efficient department is one which spends least for a given output. But the most effective department is one which maximises its service delivery, even if that is neither efficient nor economical. Government departments may be required to set economy as a primary goal before objectives such as service effectiveness. Recent government reviews reinforce this impression.

30. As a simple but rough generalisation, service users expect effective benefits, departments try to be efficient, and the Treasury demands economy. The conflict of interests is natural, and therefore it is important for any debate to express such conflicts openly so that decisions of whose measures of effectiveness are to be treated as paramount are transparent.

*Simplification—by whom? The Treasury interest.*

31. The incomes of people on low incomes do not only come from DWP benefits. They may also come from earnings (irregular, part time or full time low paid), from tax allowances or credits, from maintenance payments or from local authority benefits such as housing benefit or council tax benefit. In real terms, they also come from costs remitted, such as free school meals. There are many other possible sources of income or of tax or costs remitted, by no means all of them administered by the DWP. Many of these sources of income vary and fluctuate, sometimes considerably. If the objective of simplification is the benefit of claimants, then it makes no sense to omit consideration of the interaction of DWP benefits with all these other sources of their income.

32. This reflects an important and much wider principle of government. The Treasury has always emphasised that taxation is not hypothecated—what is collected in general direct and indirect taxation is not earmarked for particular uses, but goes into a general pot for all kinds of public expenditure. Thus if money can be saved or raised in one part of the fiscal system, it can be spent wherever else the government decides. That is, after all, the meat of the national politics of annual budgets.

33. If, therefore, simplification of benefits requires greater public expenditure by the DWP, on cash benefits and on administration, it is perfectly legitimate to point to other areas of government expenditure where savings could be made, even if these do not fall under the responsibilities of the DWP. It also follows that the calculation of the balance need not be carried out within the DWP’s budget allocation alone, but may carry over into other departmental budgets whose beneficiaries are better resourced to carry the costs of the simplification of DWP benefits.

34. The Treasury gives departments their budgets in order to ensure overall financial control. The balance between departments cannot reflect immutable policy decisions. It must be clearly understood that Treasury or political objections to spending more on benefit simplification do not reflect the impossibility of carrying out such proposals, but merely their unacceptability to a different set of interests in conflict with those of benefit claimants.
Simplification—common principles for all.

35. The agreed principles of justice require everyone to be treated as equal before the law. The same principles should be applied by the government’s administration of the benefits and tax systems. For this to be seen, it is important that the same principles of behaviour are applied to and expected of all citizens irrespective of their income levels. The government must show in all its activities that it does not treat benefit claimants any less fairly or equitably than it treats other recipients of public expenditure, such as those who claim tax credits or allowances.

36. Examples of the problems which the government currently has in acting fairly and consistently in the application of basic principles can be seen in the discussion of selectivity, of incentives, and of marginal tax rates, which follow. These problems should be noted and avoided in any proposals for the simplification of benefits.

Selectivity—“concentrating help on the most needy.”

37. Among the commonly agreed principles is the importance of, as the old phrase has it, “concentrating [government] help on the most needy”. Through direct and indirect taxes such as income tax and national insurance contributions, and VAT and excise payments, taxpayers provide government with the resources which are used to pay for recognised income maintenance needs.

38. To take pensions as one example among many, taxpayers pay directly and indirectly for NI pensions and for means-tested pension credits. In addition to this, through their taxes they collectively make up for the income tax which the Treasury does not collect from some taxpayers who claim tax allowances on contributions to occupational and private pensions. Whatever the justifications for tax allowances, they represent a “tax expenditure” by government which has to be paid for by other taxpayers. For any given level of public expenditure, the more that the Treasury gives away in tax allowances to some taxpayers, the more it has to collect from other taxpayers.

39. Tax allowances are what is known as “fiscal welfare” benefits; they are like other benefits in that they are worth cash to their claimants. However, tax allowances are regressive; that is, their value to taxpayers rises according to the marginal tax rate the taxpayer is liable to pay. Higher rate taxpayers save more money in tax they do not pay than do standard rate taxpayers, while those whose incomes are so low that they fall below the tax threshold gain no benefit at all from tax allowances. This is totally contrary to the general principle of selectivity. An example of how public ignorance is maintained about the ways in which tax allowances are financed is the common expression by financial services businesses that “tax advantages” are paid for by “the taxman”. In reality, they are paid for by other taxpayers.

40. One simplification of the tax system to release very considerable funds for poverty reduction through simpler benefits, consistent with the principle of selectivity, would be to abolish tax relief (allowances) on anything higher than the standard rate. But this would still not be enough to implement the selectivity principle, because the overall burden of taxation in the UK is not progressive; it is very roughly proportionate. In fact, as a proportion of their incomes people in the richest 20 per cent of incomes on average pay slightly less in total direct and indirect taxes than do the people in the lowest quintile, who pay a larger proportion of their incomes in taxes than the average income recipient does.

41. Proportionate taxation is unfair because higher income people can bear higher rates of taxation with less suffering than lower income people bear lower rates. Noting this more than two centuries ago, Adam Smith justified progressive taxation as fairer than mere proportionate taxes. He referred to what economists now call the “marginal utility” of income; that is, each extra pound is far more useful to a poor person than to a rich person.

42. The aggregate effect of the regressive nature of tax burdens and allowances means that in the UK people with lower incomes are paying more taxes so that people with higher incomes can pay less. For example, taxpayers in general already pay every year some £10 billion (and rising) to enable higher rate taxpayers to build up their occupational pension pots through tax allowances on pension contributions. By contrast, it would only cost about £4 billion, the Institute of Fiscal Studies (IFS) has calculated, to allow the government to achieve its target of reducing child poverty by half by 2010. If taxpayers’ help is to be concentrated on the most needy, it would seem logical to spend the £4 billion on children in poverty and take it from the £10 billion given to richer taxpayers.

43. Simplification is badly needed so that everyone can see who is paying and who is benefiting from all the complicated and opaque income transfers for which government departments are responsible. DWP benefits are only part of a much larger picture.
Incentives to work.

44. “The only proper test of a man’s willingness to work is the offer of a decent job”, as someone put it in the 1930s, a time of high unemployment. When labour market demand does not match the skills unemployed people can offer, or employers do not want to employ them, it is hard to see how reducing their benefits can increase unemployed people’s motivation. Withdrawing benefit from those who fail to find work will only exacerbate their poverty and penalise their children and other dependents. Benefit simplification which approaches the problem from this direction will not be in the interests of those with the lowest incomes, whoever proposes it.

45. There is a large literature on incentives to work and for these purposes it can be crudely divided into two kinds, (a) that which reports social science research on how real people make what seem to them to be rational decisions in the real worlds in which they live; and (b) that which puts forward formal theories about “rational choices” derived from econometric theorising and model-making.

46. Rational choice theorising has greatly influenced politicians because it provides them with an easy rationalisation for reducing benefits below the level of the lowest wages. In this respect it resembles the nineteenth century Poor Law idea of “less-eligibility”, which meant that claiming benefits should be made less attractive than any kind of unskilled labour. Until the 1960s the UK’s social assistance system still operated the “wage stop” by which benefits, chiefly for large families, were kept below the wages it was assumed the chief earner would be paid. The wage stop was applied not only to unemployed but even to sick and disabled earners with dependent children. It was abolished because it was cruel to children and expensive to administer.

47. In the real world there are at least two fallacies in these (often highly sophisticated) rational choice theorisions:

— No real human being takes decisions in such simple ways. The evidence consistently shows that the influences on the decisions which we all take about the work we do, whatever our income levels, in the light of the contexts in which we live and the constraints on our actions, are far more complex, socially and psychologically, than any formal economic theory even recognises, let alone allows for or can quantify or calculate.

— The theory depends on the assumption that the lowest level of wages on offer is a fair guide to the minimum income levels at which people can avoid poverty, can take an inclusive part in the societies in which they live and not suffer shame or exclusion. The minimum wage is not sufficient to do that. How, then, can it be rational to expect people to accept inadequate wages, especially when it is not merely adults but children who have to suffer the consequences?

48. Not only international treaties but even political theories which restrict the role of the state recognise that there are obligations on all civilised and democratic governments, whatever their political persuasion, to protect citizens against poverty. It is a defining characteristic of what welfare states are meant to do. Benefit simplification must never be allowed to mean forcing people to take work which keeps them and their children in poverty by the threat of even greater poverty if they remain on benefits.

Marginal tax rates.

49. It is often assumed by people unfamiliar with the subject that it is the level of wages alone which affects people’s willingness to work. This is a fallacy, not only for the reasons given above but simply because the effective tax rates levied on the earnings complicate the issue very greatly. The complications of the interactions of benefits and taxes, of additions and deductions, are indeed so great that it is often hard to calculate very precisely whether low earners will be better off in or out of work. The IFS has shown that even the methods used by the DWP to calculate whether claimants will be “better off” in work or on benefit, aimed towards “making work pay”, are inconsistent with the government’s inequality measures of poverty which it believes will be overcome through work.

50. As people’s income rises, they are liable not only to increasing rates of income tax and national insurance contributions, but also (if low income and eligible) to the loss or partial withdrawal of their entitlements to a wide range of means-tested benefits. These include tax credits, housing benefit and council tax benefit, as well as eligibility for remission of costs for such necessities as school meals, and there may be other similar complications for some households. The IFS has calculated that the aggregate effect of the increasing deductions and losses of benefits leads to some low earners suffering potential or actual marginal tax rates of 70 to 96 per cent on each additional pound that they earn.

51. These very high marginal tax rates on low incomes conflict with the principle that taxation should be fair and equitable as between different earners, and that it should be transparent and calculable.

52. What is most unacceptable about this situation is its inconsistency with the very widely asserted claim that income tax rates above the current 40 per cent are incompatible with enterprise. If this is the highest tax rate that it is right to expect a high income earner to pay, how much worse it is that the government effectively charges low income earners more than twice that rate. Political statements about hypothetical “confiscatory” tax rates of 50 per cent on higher earnings should be set beside the much higher rates that
are in reality charged on low earnings. This fact should always be kept in mind by those who still believe that it is marginal income gains which determine low paid people’s rational choices to work, and ask themselves if they would seek work at those tax rates.

53. It is therefore essential that any simplification of the benefit system should reduce and not exacerbate the problem of the intolerably high effective marginal tax rates suffered by low earners.

54. Paying one’s taxes is part of exercising one’s responsibilities towards the community. Given the regressive burden of taxation, everybody, even on the lowest incomes, should be visible as the fully responsible tax contributors that they are, and not be implicitly treated as tax beneficiaries. They are not “other” people but could be any of us—dynamic research has shown that about half the population has at some time experienced low incomes. If benefit simplification is to be inclusive, as all government policies are meant to be, then it is important to note the OECD study which reported that social democratic countries interpreted this as meaning that all citizens should have an adequate income sufficient to pay all their liable taxes and charges, instead of (as in the UK) being divided into those who can pay income taxes and charges without help and those who can’t.

CONCLUSION.

Simpler methods of benefit administration.

55. Three models of simple and tested income maintenance administration are already used by the government and should be extended to simplify the current complex of benefits targeting working poverty, family poverty and pensioner poverty:

— For employees, the minimum wage should be raised to levels where a full week’s work will pay a “living wage” (an expression for household budgets calculated to meet adequacy standards in various employment contexts). This will make some complicated means-tested benefits redundant.

— For families, the most effective and efficient method of targeting family benefits is the existing Child Benefit (CHB). It avoids all the complexities and interactive problems which bedevil the large number of means tested benefits. Until the government’s target of abolishing child poverty is met, by far the best and simplest single method to achieve it is to increase CHB. As it is increased to raise family incomes to adequacy levels, some means-tested benefits (such as free school meals) will no longer be needed, and benefit simplification will follow.

— For pensioners, the existing system of higher tax-free personal allowances (higher than those for people of working age) which are tapered down for much higher incomes, should be extended. All pensioners should be paid a NI pension at adequacy levels, but if their other sources of income were higher than this, then the NI pension should be tapered down to their current level of contributory entitlements. This would make the Pension Credit redundant and would ensure that every pensioner gets an adequate pension without the need for a resented and complicated means test.

Paying for simplification.

56. The distribution of the costs of simplification between the various taxpayers who can afford to bear them (in other words, not benefit claimants) is a matter for political debate. Some issues to be considered have been raised above, in particular the currently regressive fiscal welfare benefits (tax allowances), the unequal burden of taxes and the illogicality of the selectivity system. Similarly, political attention must be focused on the current situation in which taxpayers (disproportionately those with lower incomes) pay to subsidise the inadequate minimum wage and other low pay with complicated tax credits.

57. Simplification of the benefit system is technically feasible and is highly desirable if it is done in the interests of those who live on low incomes and need benefits to raise them towards adequacy levels. Provided that any review of simplification does not remain narrowly within the ambit and budget of the DWP but looks across the whole governmental system of income maintenance more logically and consistently, resources can be identified which meet the government’s stated objectives according to its stated values. But it is not my aim in this submission to examine those options in further detail.

June 2007
Memorandum submitted by Professor Neville Harris, University of Manchester

SIMPLIFICATION OF SOCIAL SECURITY

INTRODUCTION

The complexity of the social security system and the problems now widely and officially acknowledged to flow from it have inevitably prompted a search for solutions based on simplification. The evidence in the UK shows that the complexity of the system as a whole and its legislative framework affect the quality of decision making by generating an increased risk of mistakes by officials; and it has been identified as one of the principal causes of citizen confusion and failure to apply for particular benefits (such as pension credit). As the Pensions Commission reported, it is also a significant problem for those planning for retirement.

There is “intrinsic complexity” within individual schemes: the complexity of housing benefit and the administrative difficulties and costs flowing from it, has, for example, been highlighted by the National Audit Office (NAO), while the complexity of the tax credits system has, according to the Parliamentary Commissioner (Ombudsman), been instrumental to the hardship and uncertainty experienced by many claimants. According to the Social Security Advisory Committee (SSAC), the introduction of tax credits has contributed to the complexity, opacity and lack of cohesion of the entire system of state support. Other factors giving rise to complexity include: the transitional arrangements that are needed when schemes are changed or replaced; the interaction between different schemes through often complicated interfaces; the highly prescriptive, rule-based framework governing entitlement to means-tested benefits; and the nature of social security reform, which generally occurs on a piecemeal basis.

Complexity in social security systems and legislation is not a problem that is confined to the UK. The intricacy of social security law in other states, notably the US and Australia and many European states, is also well known, while a report on social assistance in OECD countries has highlighted the complexity of such schemes. Complexity seems to be a particular problem where the system is designed to allocate resources to citizens systematically but on an individualized basis—that is, with reference to the wide range of circumstances or contingencies facing claimants—and with the need for continual updating.

REFORM OF SOCIAL SECURITY SYSTEMS IN OTHER STATES

While complexity in the field of social security is recognised as a problem in most states, few are making systematic attempts to ameliorate it. The position is well summed up by the comment by an officer of the Czech Republic’s Social Security Administration to this commentator that “the desire to make the social system less complicated accompanies sometimes reforms of social security, but it has never been the main reason for reforms in last 15 years”. Nevertheless, Schulte has observed that many states’ awareness of the complexity of their social security systems has led them to take measures to rationalise their legislation.

Schulte cites as examples: the Royal Commission established two decades ago in Belgium with a responsibility for the codification, harmonisation and simplification of social security legislation; and the Sozialgesetzbuch (Social Code) introduced in Germany, which is aimed, among other things, at greater transparency and accessibility to benefits. The Code, published in a series of books (SGBI-XII), is partly founded on the establishment of common principles and rules relating to specific parts of the system (such as social insurance (SGB IV) and administrative proceedings (SGB X)), although many of the books have a systematic attempt to ameliorate it. The position is well summed up by the comment by an officer of the Czech Republic’s Social Security Administration to this commentator that “the desire to make the social system less complicated accompanies sometimes reforms of social security, but it has never been the main reason for reforms in last 15 years”. Nevertheless, Schulte has observed that many states’ awareness of the complexity of their social security systems has led them to take measures to rationalise their legislation.
specific focus (such as the one covering youth welfare (SGB VIII)). Despite the establishment of these codes, complexity remains a problem, because it is provided that the special rules governing specific schemes will take precedence over common rules. Thus while the Rehabilitation and Participation book (SGB IX) aims to reduce complexity by establishing a basis for cooperation, coordination and convergence, the benefits for disabled persons are governed by as many as seven of the individual books, which as previously noted have priority over common rules. In Germany there is a problematic interface (“Schnittstellen”) between different parts of the Code.

In Australia, the complexity of the system as a whole and the law of social security in particular has been widely acknowledged. The Social Security Act of 1991 represented an attempt to codify the legislation and simplify and modernise the language used. However, the Act has over 1,000 sections and as the Full Court of the Federal Court indicated in Re Blunn v Cleaver (1993), while the 1991 reform intended to create “a more accessible piece of legislation that ordinary Australians can reasonably be expected to understand”, the Act comprised “a maze of provisions made the more complex by prolix definitions, provisos and exceptions”. Similarly, in 2003 the Federal Court repeated its criticism of the 1991 Act as “notoriously complex and difficult to interpret.” Further, in 2004, in the Full Court, Weinberg J commented: “Regrettably, as each year goes by, the Social Security Act becomes still more complex, and less accessible to those who most need to understand it.” Although the introduction of the Social Security (Administration) Act 1999 had aimed to make the system simpler and more coherent, complexity remained.

Two specific initiatives concerned wholly or partly with simplification were taken in Australia between 2001-2003. First, in February 2001 the Government established a Rules Simplification Task Force comprising members of the Department of Families, Community Services and Indigenous Affairs (FaCSIA) and Centrelink, the agency which runs the benefits system on the Department’s behalf. The Task Force’s brief included simplification of the rules on (old) age pension and the Newstart Allowance (a benefit for persons aged between 21 years and pension age who are unemployed and who must satisfy an activity test involving seeking work or undertaking an activity to improve their employment prospects). For example, one reform involved the streamlining of the process by which an unemployed person reclaimed benefit after not being in receipt of it for less than a year. The government also said that the assessment of new claims for age pension was assisted by a rules simplification ordered by the Minister for Family and Community Services in 2002. Further legislative simplification was announced in the 2003–04 budget, including measures to reduce unnecessary duplication and to alter the numbering format of the 1991 Act. However, these reforms were very modest in scale.

The second initiative in Australia occurred in December 2002 with the publication by the government of an important policy document entitled Building a Simpler System to Help Jobless Families and Individuals. This presented a case for modernisation of the system. One argument was that “[a]s the system has evolved over the years, more payment types have been added and rules and payments changed. This has created an unnecessarily complex system that people can find hard to navigate”. The system was also considered to incorporate distinctions in levels of support between diverse groups that were difficult to justify. It was proposed that design principles for a reform system of working-age benefits should include “simplicity and fairness People with similar capacity for work should face similar requirements. Administration is transparent, easy to navigate and cost-effective”. No conclusion was reached on whether reform should proceed incrementally, through simplification of parts of the existing system, or should involve a complete redesign to bring about “a simpler and more responsive income support system”. However, it is clear from the report that simplification was one of a number of underlying objectives—others included incentivising working, increasing social participation and improving the benefits-tax interface—rather than the principal focus of the reform. There was a consultation period of around six months following publication of the proposals.

A paper published by the Social Policy Research Centre paper at the University of New South Wales, Sydney, argues that, in practice, reforms to the system introduced since 2000 have tightened up on the obligations of jobseekers and improved services to some degree, but have “failed to grapple with the problems of complexity and disincentives”. The government’s failure to adopt a simpler system based on a the idea of a single base rate of benefit for all, with adjustments to cover the costs of disability, job-search

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80 SGB I, para 37.
81 For example, O’Neill and Bates, n 8 above.
82 (1993) 111 ALR 65 at 82.
83 Secretary, Department of Family & Community Services v Draper [2003] FCA 1409, per Jones J at para 24.
84 Secretary, Department of Family and Community Services v Greaves [2004] FCAFC 166, at paras 37 and 38.
85 Hansard, House of Representatives, 26 June 2002, 4467.
86 Commonwealth Department of Family and Community Services, 2002.
87 ibid, para 15.
88 ibid, paras 36 and 37.
89 ibid, para 47.
90 ibid, Paras 51–53.
91 ibid, paras 54–58. “Income support” is used here to refer to benefit support in general.
or children, has been criticized as an abandonment of the approach reflected in the Building a simpler system proposals. 93 But an incremental approach was one of the options presented by the government, which has arguably been preoccupied by its policy of welfare-to-work, and it is clearly the one that it has favoured. Various other states are currently reforming their systems to achieve greater simplicity in the legislative framework or the structure of benefits. In some cases only partial simplification is sought, rather than a wholesale re-casting of the legislation or the benefits structure. For example:

- In Luxembourg, some rationalization is underway; the distinct arrangements for blue and white collar workers in relation to rates of contribution and provision of sickness benefit are to disappear and in all cases employers will pay salary for up to 13 weeks and then payments will be made via the Sickness Fund. Also, the four separate pension funds are being merged into one fund.

- In Iceland, the complexity of whose social security system has long been criticized by claimants, interest groups and politicians, the four separate schemes (basic pension, income supplement, housing supplement and home-keeping supplement) were collapsed into three in 2006 through the merging of the last two.

In some other states there are ideas or plans for simplification, rationalisation or consolidation of schemes and legislation, but currently relatively little progress. For example:

- The Department of Social Security in Cyprus is currently working on a simpler and more comprehensible text for its social security legislation, which in its current form is considered to be complicated and difficult to understand not by potential claimants but also officials and lawyers. This work is still in progress.

- In Sweden, the report of the “Inquiry on Coordination of Social Insurance Legislation” (SamSol) was published in 2005. The remit of the inquiry was to undertake a technical review of social insurance statutes and to submit proposals for new legislation “to give improved clarity and better assurance against lack of consistency as regards rules and concepts common to social insurance” and to ensure that social security legislation “is easier to take in and apply”. 94 The Inquiry recommended that all legislation on social insurance should be set out in a code, which would replace around 30 separate Acts. The codified legislation of France, Germany and elsewhere is cited as an influence.

It was argued that the code would improve citizen understanding and would be easier to administer. It would provide for greater coherence, particularly as cross-referencing would be possible, so that “the connections between and consequences of various regulations and measures” could more easily be identified. 95 It was also claimed that such a code would facilitate updating of the legislation, since it would be easier to amend it than to amend simultaneously numerous separate statutes. Mirroring the German approach, discussed above, the Swedish proposals also adopt the idea of common provisions where possible. However, some specific areas, including unemployment insurance, would not be integrated into the code. The code would have eight separate sections (“Titles”):

A. General provisions
B. Family benefits
C. Benefits in the event of sickness or work injury
D. Special benefits in the event of disability
E. Benefits in old age
F. Benefits to surviving dependants
G. Housing allowances
H. Certain common provisions

The Inquiry report contemplates that decision-making with reference to the code would be “facilitated both by the structure of the code itself and by the fact that the language of individual provisions will be more accessible”. 96 The hope is expressed that this may lead to “a more legally secure and consistent application of social insurance”. 97 The report suggests that it would be feasible, if the government acts on its recommendations, for the new code to be in force by 1 January 2008. However, to date no clear governmental commitment to implement the Inquiry’s recommendations has been evinced, although this may not be altogether surprising given the relatively recent change of government.

- The House of Commons Work and Pensions Committee has recently noted that New Zealand “is planning to introduce a simplified benefits system”. 98 In fact, the key element in that simplification, the introduction of a “single core benefit”, is not in prospect at the present time and doubts have

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93 See Hansard, Senate, Community Affairs Legislation Committee, 21 November 2005, CA 37.
94 Statens Offentliga Utreningar, Socialfrs—kingsbalk Del 1 (Statens Offentliga Utreningar, Stockholm, 2005), p 35.
95 Ibid, p 36.
96 Ibid, p 38.
97 Ibid.
been expressed about this reform ever occurring. The proposal emerged from the Labour-coalition government’s ideas expressed in Pathways to Opportunity: From Social Welfare to Social Development, published in 2001. This reflected a clear welfare-to-work agenda, although also acknowledged that the benefit system was “overly complex with many layers and types of benefit”, making it difficult for claimants to know what to ask for and for the system to identify and address people’s needs. The government undertook, over time, to remove unnecessary complexity from the structure of benefits and supplementary assistance. In this regard, it questioned the need for having five separate benefits for people of working age.99 It suggested that one option could be “a move towards a “universal” benefit with standardized eligibility rules and conditions that would greatly simplify the system for both the beneficiary and administration”.100 There would be a need for “add-ons” to reflect particular family circumstances, such the caring of children and disability.

The first phase of the reform programme, designed primarily to establish a framework to manage the transition to work in what amounts to a similar regime to that governing jobseeker’s allowance in the UK, although also concerned with beginning the process of aligning some of the rules concerning income-related benefits, is being brought into effect via a Social Security Amendment Bill that is still before the New Zealand Parliament (see below). The second phase, which as noted above may not come to fruition, would involve the replacement of all the working age benefits with a “single core benefit”, as also noted above. It was proposed that this benefit could have two streams: a “rapid return to full time work” stream, which would represent the standard position, and a “development” stream for those such as carers of children who could not be placed in the first stream. Although the creation of the new benefit would ostensibly represent a simplification of the structure of the benefit system in New Zealand, there are fears that due to the need to have separate rates to reflect family size and special arrangements in relation to people with disabilities (including cost-based rather than flat rate payments), the government may, in the words of New Zealand’s Child Poverty Action Group, be merely “replacing one hopelessly complex system with another”.101

The New Zealand government in fact began in June 2005 to trial a model under which claimants of working age were assessed according to their work-status categorization, which is reflected in the categories now set out in the Bill and constitutes part of the first reform phase. These categories in turn broadly reflect the streams proposed for the single benefit.102 Consequently the need for such a benefit to be introduced is perceived to have diminished. Certainly there would appear to be no potential gains in terms of simplification, other than perhaps the somewhat cosmetic effect of an overarching name.

There are some examples of small scale simplification contained in the Social Security Amendment Bill. For example, the definition of child dependants has been standardized as have the residence requirements in respect of a range of different benefits. A further example relates to the sanction of suspended or cancelled benefit due to failure to comply with the work test imposed (under s 117 of the Social Security Act 1964) upon a member of a couple who are in receipt of benefit. The current legislation and the amended version in the Bill are set out in the box below.

Note that the latter “simplified” version is in fact three words longer than the former. This example also illustrates that where there is an elaborate framework governing a particular area of provision, simplification means making things simpler but not necessarily making them simple.

**Example of simplification reform in the New Zealand Social Security Amendment Bill 2007**

*Social Security Act 1964, s 120*

"(1) If the suspension or cancellation under section 117 of a benefit payable at a work-test married rate results from the failure of one of the spouses or partners in respect of whom the benefit is paid to comply with a work-test obligation—

(a) it only applies to one half the applicable rate of the benefit before any abatement or account of income; and

(b) the other spouse or partner is entitled to receive half of that rate (and the appropriate Income Test applies to that rate, but at half the abatement rate in that test)."

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100 Ministry of Social Development, Pathways to Opportunity, Submission on the Single Core Benefit Proposal (CPAG (NZ), Auckland, 2005), para 3.

101 Child Poverty Action Group (New Zealand), Submission on the Single Core Benefit Proposal (CPAG (NZ), Auckland, 2005), para 5.

102 Under the Bill there are in fact three streams: (1) Work Support concerns primarily persons in receipt of unemployment benefit, who will be provided with assistance to find and retain work; (2) Work Support Development will concern for most other beneficiaries (subject to exempt groups), who will be assisted to plan for work in the future, with services designed to assist with this and with developing work-related skills; and (3) Community Support, for people receiving benefit for the care of the sick or infirm and some invalidity benefit recipients. I am indebted to Dr Louise Humpage of the University of Auckland for guidance on these developments.
Simplification of the UK’s social security system

It would appear that if were replicated in the UK, the New Zealand “single core benefit” would represent an amalgamation of the jobseeker’s allowance and the new employment and support allowance provided for by the Welfare Reform Act 2007. This might simplify the benefits structure as a whole but might not result in simpler law or a clearer basis of entitlement. Moreover, one of the questions arising from the proposed benefit in New Zealand concerns the process of transition. It seems highly likely the complexity of the transition arrangements would represent a major and insurmountable barrier to any similar reform in the UK.

Benefit reform tends to occur on a piecemeal basis, so that one of the major causes of complexity is the over-layering of changes to the legislation, which is constantly being amended. Thus, as the National Audit Office has explained, “[n]o government is in the position of being able to start again and design an entirely new system with the intricacies and difficulties removed the current system is an accumulation of successive governments’ actions”. Comprehensive re-design is something that has been discussed in other states, but no government to date has been willing to take on board such a difficult task.

Simplification requires consideration of a range of difficult trade-offs. For example, a simpler non-intrusive application process may undermine the goal of reducing fraud, while the goal of simpler rules is difficult to realise if the system is also aiming to cater for diverse personal circumstances and to ensure the careful and precise targeting of resources on particular needs. Even the cost argument, namely that greater simplicity may aid administration of a benefit and in the process reduce costs, is more balanced than might be expected. For example, the “living together as husband and wife” rule which determines whether an unmarried couple should be assessed as having the same entitlement as if they were married (or civil partners), being less than the sum of the payments made to them as individuals, is a complex rule to administer because of the diverse personal circumstances that must be looked at. If it were abolished and all couples were simply paid double the single person’s rate regardless of whether they were living separately it would cost £2.2 billion per annum in additional benefit payments in order to save £190 million in administrative costs.

The NAO has explained that complexity can be reduced by design changes, as has occurred with child support and housing benefit, or by piecemeal adjustment, as with the alignment of capital limits for income support and income-based jobseeker’s allowance with those for housing benefit and council tax benefit. These approaches to simplification are, as discussed earlier, the kind that other states have also been adopting and could be pursued more vigorously in the UK. Of course, other complementary strategies may also be needed including those recommended by the NAO: better staff training, better explanations for claimants and more effective use of information technology.

The design of the system and its legislation are matters that have attracted attention in other states. In Sweden, as noted above, there have been proposals for codifying social security law (a process which the German experience suggests is by no means certain to reduce overall complexity), while in Australia there have been attempts to re-format the existing legislation to make it more coherent. In terms of improving the intelligibility of the legislation, a possible model here might be the Coroner Reform Draft Bill, published in 2006, with its simple interpretation of each clause running alongside its text. Unfortunately, however, it may be impracticable for such a format to be adopted in the case of much of social security legislation due to its scale, the cross-referencing between provisions and the overall complexity. Moreover, its utility would be diminished due to the fact that important rules on entitlement are often buried within detailed delegated legislation. Even so, it is an approach which at least warrants exploration.

Another potentially valuable strategy would be to combine monitoring of complexity with a process whereby ministers are placed under pressure to remedy it. The PAC’s suggestion that an annual report of the Benefit Simplification Unit’s (BSU’s) activities and “accomplishments” should be published is a very valuable one. Certainly pressure of this kind appears to have been lacking in connection with the activities of the Rules Simplification Task Force in Australia. In the UK, SSAC can also contribute to this monitoring process. SSAC has highlighted complexity in social security regulations and schemes on a number of occasions.

103 Comptroller and Auditor General, above n 1, para 2.7.
104 ibid, para 4.5.
105 ibid, Executive Summary, paras 34–36.
It is significant that departmental advice is now to the effect that all memoranda and papers accompanying proposed regulations or processes referred to SSAC by the Department for Work and Pensions should explain “the consequences of the proposal for simplification”. While the NAO has recommended that SSAC provides analysis of complexity in its stewardship reports on a more systematic basis. Yet SSAC has limited resources and although it occasionally is able to review particular aspects of the legislation, such as the transitional protection provisions, it would not be able to carry out wide-ranging and detailed assessments of existing provisions on a systematic basis. The PAC has highlighted the absence of a “clear gateway at which questions of complexity can be considered and complicating measures stopped or reversed”.109

Obviously there could be pressure to reform social security legislation via the regulatory reform process, given that simplification has been identified by the government as an issue that should be brought within it. In a report in March 2005 the Better Regulation Task Force recommended that by September 2006 all government departments should set in place arrangements for systematically identifying regulations that could be simplified, consolidated or repealed.111 The government has proposed that implementation of such reforms, where needed to primary legislation, could occur via regulatory reform orders,112 now governed by the Legislative and Regulatory Reform Act (LARRA) 2006. Simplification should occur through measures clarifying the meaning of legislation and “restating the law, with a view to improving transparency, coherence or accessibility”.113

LARRA does not, however, refer specifically to simplification: it is only an implicit and secondary objective linked to the reduction of a regulatory burden and administrative costs associated with it. In any event, the Act does not seem likely to result in wholesale reforms to social security legislation. LARRA seems aimed more at removing technical imperfections and ambiguities in the law rather than substantive changes to simplify public services schemes. Of course, it would be undesirable in constitutional terms for substantive policy reforms to occur via the back door of regulatory reform. Either way, LARRA will probably not make a significant contribution to simplification of the benefits system and to making the system more intelligible to the general public.

If simplification of social security law and administration is being taken seriously, there should arguably be specific statutory requirements to ensure that action is taken. The minister could, for example, be placed under a specific statutory duty to ensure that when regulations are drafted complexity is, so far as possible, kept to a minimum and simplicity is sought. Alternatively, a general statutory duty could be placed on ministers, when making social security (and tax credit) regulations, to have regard to the need to “maximise clarity, encourage simplicity and increase public understanding” of the benefit system. Promoting such policy objectives would be comparable, in terms of its approach, with those covered by the duty on education ministers in respect of their powers to regulate the provision made in schools and further education institutions, which powers must be exercised “with a view to (among other things) improving standards, encouraging diversity and increasing opportunities for choice”. Although only wholesale reform of the benefits system is likely to afford a sufficient opportunity for significant simplification,114 the establishment of such general promotional duties could reinforce the cultural shift that the establishment of the BSU seems aimed at precipitating.

CONCLUSION

Internationally there is a growing commitment towards simplification of social security benefits, whether as a means to improving social participation and thus the advancement of the “citizenship” ideal or to facilitate better administration and consequential reductions in costs. However, while there have been broad statements of intent by administrations in various jurisdictions, little has been achieved. Governments have tended to favour incremental change—smoothing out some inconsistencies, anomalies or duplication or streamlining some substantive or procedural areas—rather than undertaking wholesale reform.

The framework for simplification established in the UK seems likely to systematise to some extent the process of simplifying aspects of the system, an avowed policy goal, but it has clear limitations. Ultimately the question for government is whether it is prepared to incur the huge development costs and potential political costs (when some lose entitlement due to the restructuring of benefits) that are likely to be involved.

109 Above n 37, para 20.
112 Above n 41.
113 ibid, p 11. That burdens that fall exclusively on government departments are excluded from this framework is considered inconsistent with the Government’s avowed commitment to increase the efficiency and effectiveness of public services: ibid, p 10.
114 Education Act 1996, s 11(2).
115 As claimed for the “Citizen’s Income” proposed in B Jordan et al, Stumbling Towards Basic Income (Citizen’s Income Study Centre, London, 2000).
in a wholesale reform of the benefit system, particularly when it has other policy priorities, not least the
continuing pursuit of its dominant policy goal of welfare-to-work, reflected most recently in the Welfare
Reform Act 2007. The experience in other countries with similar policy preoccupations does not offer much
encouragement that the laudable aim of simplifying social security will be realized to the extent necessary.
Nonetheless, the ideas emerging from these countries do suggest potential ways forward.

1 June 2007

Supplementary memorandum submitted by DWP

BENEFITS SIMPLIFICATION: FURTHER QUESTIONS

(1) Better Off Calculations:

What percentage of Jobcentre Plus customers are currently given a Better Off Calculation?

Jobcentre Plus does not routinely collect data on the percentage of customers currently given a Better Off
Calculation for all customer groups and all interview types. At a national level, Jobcentre Plus has
concentrated its interest on mandatory interviews where better off calculations are more likely to be
undertaken when most appropriate to the customer’s circumstances.

Data for lone parents who have made a claim since the Jobcentre Plus regulations came into force shows
a significant and consistent increase in the percentage of better off calculations conducted throughout
2006–07. A further study of all lone parents, including those making claims before the introduction of
Jobcentre Plus regulations, has been undertaken as part of a drive to improve lone parent performance and
shows not only that there has been a marked increase across 2006–07, but also that the percentage of better
off calculations undertaken falls in line with expectations of them being conducted at the appropriate time—
more BOCs are being undertaken in caseload and New Deal Lone Parent interviews where customers are
actively receptive to move into employment.

Detailed national lone parent information is provided in tabular form in Annex A. Jobcentre Plus has
specifically targeted lone parents as part of a wider campaign to improve the lone parent Job Outcome
Target. As a result of work to improve overall performance the same upward trend is being repeated for
other customer groups where information is available.

Is there a national standard for the percentage of customers who should receive a Better Off Calculation?

A generic, national minimum standard has been set at 20%. The intention behind the standard is to
increase the volume of customers who receive advice about the extent to which they would be better off in
work. Regions have the discretion and flexibility to upwardly vary this level to ensure that calculations are
offered for those customers as and when it is considered appropriate. Advisory Services Managers use the
Adviser Achievement Tool to regularly monitor their local performance against the national benchmark.
The national standard will be kept under review.

However, Jobcentre Plus would expect 100% of most customer groups to have had a better off calculation
in the lifetime of their claim. There are difficulties in measuring BOC delivery because advisers have
discretion as to when they conduct better off calculations and in recognition of this it is considered that a
20% expectation is reasonable.

Jobcentre Plus is still developing its thinking in this area and, for certain groups, Jobcentre Plus has
crystallised this expectation, for example, JSA customers are expected to have had a better off calculation
by the 26th week of their claim and, for lone parents, calculations are expected to be reviewed at each
interview to ensure the information is current.

Can this be broken down by region and by client group?

Information is not routinely collected to cover all client groups or types of interviews. The information
collected on lone parents at a national level can be reproduced on a regional level but it would take
additional time to collate.

What guidance has been produced for Jobcentre Plus staff about who should get Better Off Calculations?

There is currently no formal guidance available. Jobcentre plus is developing a Policy and Good Practice
Guide, which will be available in the autumn. Instruction on the advantages of using better off calculations
is delivered as part of the Personal Adviser Learning and Development Routeway, where it is stressed to
learners that the primary role of BOC is to show that the customer is better off by taking up employment.

Further background information about better off calculations is attached in annex B.
(2) **LEAN pathfinders:**

*Can the Committee see a copy of the final assessment of the LEAN Pathfinders?*

The evaluation report for the LEAN Pathfinders for Carers, Jobseeker’s Allowance and Incapacity Benefit/Disability Living Allowance will be produced in July. Once the summary of the evaluation has been compiled, a copy of this will be made available to the Committee.

LEAN is being deployed across the Department in a managed way, which is why DWP introduced LEAN activity through the 3 Pathfinders and is now moving into Phase One activity. The Pathfinders told us a great deal about the challenges and opportunities that LEAN presents to the Department, Phase One activity begins building internal expertise. As LEAN is deployed the Department will begin to (i) develop internal LEAN experts and (ii) engage more and more people. In time this will provide an internal supply of LEAN talent which the Department can utilise.

LEAN has a set of principles that place the customers and delivery staff at the heart of developing improved services and improved service levels. There is nothing particularly new about LEAN—the approach and many of the tools used will be familiar to staff and managers but taken as a whole, it is a radical departure from the way we have traditionally managed our services. It introduces new ways of working and new ways of managing our work which transform the experience of staff and managers.

*Are the programmes themselves being re-run elsewhere; and precisely when and where, and on what timetable, is this going to happen?*

The next tranche of Continuous Improvement using LEAN techniques are due to commence from July onwards and will cover the following subject areas and locations:

(i) **Social Fund**—Chesterfield Benefit Delivery Centre

(ii) **Change of Circumstances and Reviews and Triggers including links to Debt Management**—Wrexham Benefit Delivery Centre

(iii) **New Claims. A review of the end-to-end process for all new Jobseeker Allowance, Incapacity Benefit and Income Support** claims building on the Jobseeker Allowance pathfinder experience in Newcastle

(iv) **Work Focused Interviews/Fortnightly Job Reviews**—London

(v) **Disability & Carer’s Service: Disability Living Allowance/Attendance Allowance Customer Acquisition**—Cardiff Disability Benefit Centre

(vi) **Disability and Carer’s Service: Disability Living Allowance/Attendance Allowance Managing through to outcomes**—Disability Carer’s Processing Unit at Warbreck Hill, Blackpool.

(3) **To what extent does LEAN involve customers?**

Customers are absolutely central to what the Department is doing. The Department has drawn on its extensive Customer Insight in developing its commitment to improving customer experience. The Department is putting its customers’ needs at the very centre of what it does by using the experiences of customers and delivery staff to identify and test solutions and improvements.

(4) **Jobcentre Plus correspondence: What is timetable for the review of Jobcentre Plus computer-generated correspondence mentioned by Mr Plaskitt?**

A project will be established within Jobcentre Plus in summer 2007 to review system generated notifications. The review is expected to be completed by March 2008.

(5) **Page 1 estimates a buyout of transitional protection for Invalidity Benefit claimants at £2.5 billion. The Committee would like to see the figures, and an explanation of the assumptions, behind this estimate.**

Attached is a note at Annex C produced by the Department in June 2004 from which the estimate was taken. The 2004 figures have not been updated.

(6) **Please could the Department explain why caseload figures for Supplementary Benefit to Income Support and Income Support to Jobseeker’s Allowance are not available.**

The Department cannot identify the current caseloads figures for the following “legacy benefits” for the following reasons:

— Supplementary Benefit changing to Income Support in 1988:
DWP does not have datasets for Income Support going back as far as 1988, only clerical copies of old publications from which it is not possible to extract this information. We expect the caseload figures to be negligible.

Income Support changing to Jobseekers Allowance in 1996:

Transitional protection between Income Support and Jobseeker’s Allowance was time limited and ended in April 97. At that point any customers on Income Support on the grounds of unemployment were all moved to Jobseeker’s Allowance. There are therefore no “unemployed” customers still transitionally protected on Income Support.

DWP regrets that some of the current caseloads figures for the “legacy benefits” which was supplied to the committee on 31 May were incorrect (they were linked to the wrong year—the 2006–07 figures quoted were in fact the 2005–06 caseloads). We apologise for this mistake. The correct caseloads are as follows:

- End of new claims for Severe Disablement Allowance in 2001: caseload of 270,000* (227,000 working age, 42,000 pensioners**) in 2006–07.

*2006–07 caseloads taken from the Department’s benefit projections.
** totals may not sum due to rounding.

(7) Her Majesty’s Revenue and Customs (HMRC): Although there is a memorandum of understanding between the Social Security Advisory Committee (SSAC) and HMRC, SSAC does not have the same role overseeing HMRC benefits as it does for the Department’s benefits. Is there scope for SSAC’s remit to be expanded?

The Government has no plans to introduce legislation to extend the role of SSAC. The existing Memorandum of Understanding gives SSAC the opportunity to put full and frank advice to Treasury Ministers on the Tax Credit system.

(8) Report by Off the Streets and Into Work: The Committee has had sight of a report by Off the Streets and Into Work entitled The costs and benefits of work for single homeless people. Does the Department agree with its analysis.

This report has been read with interest and it is noted that it contains a lot of detailed analysis. The Department does, however, wish to make the following points.

The benefits system is geared towards moving people into work of 16 hours or more. Individuals working less than 16 hours are entitled to claim Jobseeker’s Allowance or Income Support if their earnings are less than their applicable amount. While on the benefit they can make use of the earnings disregards in Jobseeker’s Allowance and Income Support which allow customers to work a few hours and keep some amount of their earnings before they are taken into account in their benefit calculations. The in-work cost assumed by the Off the Streets analysis is held constant regardless of the numbers of hours worked. The Department does not believe this to be realistic. Establishing exact gains to work is usually dependent on the level of the in-work-costs which will vary widely between individuals.

Working 16 hours at the National Minimum Wage compares favourably with levels of out of work benefits. For example, individuals aged 25 and over receive £85.60 from 16 hours work at the National Minimum Wage (rising to £88.32 from 1 October 2008) compared with £59.15 from Income Support/Jobseeker’s Allowance. Also, individuals on the development rate for 18-21 year olds receive £71.20 from 16 hours work at the National Minimum Wage (rising to £73.60 from 1 October) compared with £46.85 from Income Support/Jobseeker’s Allowance.

Tax credits are designed to make work pay for individuals who receive higher out of work benefits such as Income Support with the Disability Premium or Incapacity Benefit. The analysis assumes that individuals in receipt of these high levels of out of work benefits would not qualify for the relevant elements of Working Tax Credit and could be worse off when entering work. For example, an individual claiming Income Support with the Disability Premium would have an out of work income of £84.40 which is only slightly lower than the income they would receive from working 16 hours at the National Minimum Wage—£85.60. However, add to this Working Tax Credit of around £77, with the disabled worker element, and their weekly income from work increases to over £160.

The Department does recognise that certain vulnerable groups may need extra support to help them return to work which is why DWP offers a number of transitional payments. For example, the package of help available under the Pathways to Work regime (which by April 2008 will have been rolled out nationally) contains a return to work credit of £40 which is available for up to 52 weeks for people earning less than £15,000 and is not subject to tax or national insurance deductions. A similar payment is available to lone parents in the areas where the In-Work Credit is being piloted. In London the In-Work Credit has been increased to £60 a week from July 2007 and is available to couples with children as well as lone parents.
In general the housing benefit taper rates and disregards on earnings ensure that customers can keep some proportion of earnings as income rises above the applicable amount. In most cases the applicable amount in Housing Benefit is calculated under rules which are the same as (or more favourable than) those in Income Support and Jobseeker’s Allowance so unless there has been another change of circumstances the taper will only apply to income in excess of the previous rate of benefit. This means that whilst the gains to work might be eroded by the tapering of Housing Benefit, they cannot be extinguished.

Annex A

Ratio of BOCs conducted by interview type for Lone Parent (LP) customers National data.

Table 1. Initial interviews attended

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Table 2. Trigger interviews attended

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Table 3. Caseload interviews attended

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<td>19.3</td>
<td>15.3</td>
<td>19.6</td>
<td>19.5</td>
<td>21.9</td>
<td>20.0</td>
<td>22.1</td>
<td>20.1</td>
<td>24.3</td>
<td>21.9</td>
</tr>
</tbody>
</table>

Table 4. 2006–07 Overall Performance—for all Lone Parent customers.

| Ratio of better off calculations at Initial Work Focused Interviews | 17% |
| Ratio of better off calculations at review/trigger Work Focused Interviews | 28% |
| Ratio of better off calculations at New Deal Lone Parent initial interviews | 40% |

Annex B

Better Off Calculations—Additional Information

Jobcentre Plus recognises that better off calculations are a powerful and valuable tool in influencing customers to consider leaving benefit and enter paid employment. Personal Advisers consider offering a better off calculation during all interviews with the customer and, equally, customers may request a calculation at any time during their claim.

The generic, national minimum standard has been introduced to ensure all Personal Advisers contribute effectively to Jobcentre Plus aims to tackle poverty and promote work as the best form of welfare. The intention behind the standard is to increase the volume of customers who receive advice about the extent to which they would be better off in work. Regional performance does vary as calculations are completed for those customers as and when it is considered appropriate. The use of better off calculations is regularly monitored by the Advisory Services Managers during their monthly checks, eg Quality Assurance Framework reviews.

Better off calculations should only be offered where it is appropriate and helpful to do so. It would be wrong and inefficient otherwise. It is important for the Personal Adviser to assess the needs of each new customer and to balance the tasks that are required, addressing the most pertinent matters within the timeframe of the interview. Personal Advisers use their professional judgement to determine the optimum points in a customer’s claim to complete a calculation. For instance, it may be inappropriate to offer a calculation to a recently bereaved parent whose prime concern is to settle their children.
Where it may not be appropriate for the customer to receive a better off calculation when they first make a claim to benefit the consideration will be made again and a calculation offered at a later date. For example, this is supported in the Lone Parent Journey where better off calculations are considered at New Claim, trigger reviews and initial New Deal for Lone Parent interviews.

A better off calculation is not always appropriate if one has been conducted recently and there has been no change in the customer’s circumstances.

A combination of the current delivery of updated IT to Jobcentre Plus and the significant improvements under development to the existing BOC product means that by November 2007 the time taken to complete a calculation should be reduced by up to a half, giving Personal Advisers greater opportunity to use the calculator even more effectively.

In parallel with this work, Jobcentre Plus plans to provide on-line access to better off calculations in 2008. This will enable the calculator to be accessible to everyone who has access to the Internet.

Annex C

BENEFIT SIMPLIFICATION PROJECT 2004

Buy-out of transitionally protected Invalidity Benefit cases

1. This short note discusses buy-out for former Invalidity Benefit cases that are currently transitionally protected.

BACKGROUND

2. Incapacity Benefit was introduced on 13 April 1995 and replaced Sickness Benefit and Invalidity Benefit. Customers entitled to Invalidity Benefit immediately before Incapacity Benefit was introduced were transitionally protected and received Transitional Long-Term Incapacity Benefit which in effect is calculated exactly the same as Invalidity Benefit. However, it is more generous and includes the old age-related Invalidity Allowance and continues to be paid until the customer reaches pension age (60 for a woman and 65 for a man) or until they are no longer incapable of work, whichever is earlier.

3. As would be expected, transitionally protected Invalidity Benefit customers are older and, although they are subject to the same medical testing regime as Incapacity Benefit customers, anecdotal evidence suggests that they are less likely to be classified as fit for work or ready to return to work. These customers tend to remain on benefit until they retire and are not required to participate in any type of work focused activity, although in Pathways to Work areas they can participate on a voluntary basis.

AN OVERVIEW OF THE EX-INVALIDITY BENEFIT CASELOAD

4. The table below shows how the ex-Invalidity Benefit caseload is changing. The ex-Invalidity Benefit caseload is reduced by approximately 15,000 cases per quarter. However, there could be customers who claimed prior to 1995 who were aged 20 and such people might continue claiming for another 40 years.

Incapacity Benefit recipients by rate of benefit, including long term rate by ex-Invalidity Benefit and others (thousands)

<table>
<thead>
<tr>
<th>Quarter ending</th>
<th>Total</th>
<th>IBST(L)</th>
<th>IBST(H)</th>
<th>Total IBLT</th>
<th>Ex-IVBI</th>
<th>Other IBLT</th>
<th>Credits only</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1999</td>
<td>2,316.9</td>
<td>103.8</td>
<td>99.7</td>
<td>1,445.6</td>
<td>1,036.0</td>
<td>409.6</td>
<td>667.8</td>
</tr>
<tr>
<td>August 1999</td>
<td>2,301.7</td>
<td>97.9</td>
<td>96.5</td>
<td>1,428.4</td>
<td>990.8</td>
<td>437.5</td>
<td>678.9</td>
</tr>
<tr>
<td>November 1999</td>
<td>2,299.7</td>
<td>97.8</td>
<td>91.4</td>
<td>1,415.0</td>
<td>953.3</td>
<td>461.7</td>
<td>695.5</td>
</tr>
<tr>
<td>February 2000</td>
<td>2,273.9</td>
<td>98.4</td>
<td>88.0</td>
<td>1,377.7</td>
<td>895.5</td>
<td>482.2</td>
<td>709.8</td>
</tr>
<tr>
<td>May 2000</td>
<td>2,277.5</td>
<td>91.6</td>
<td>87.3</td>
<td>1,379.3</td>
<td>871.9</td>
<td>507.4</td>
<td>719.4</td>
</tr>
<tr>
<td>August 2000</td>
<td>2,275.3</td>
<td>92.1</td>
<td>87.9</td>
<td>1,361.7</td>
<td>833.4</td>
<td>528.3</td>
<td>733.6</td>
</tr>
<tr>
<td>November 2000</td>
<td>2,267.4</td>
<td>93.3</td>
<td>91.4</td>
<td>1,336.1</td>
<td>788.8</td>
<td>547.3</td>
<td>746.5</td>
</tr>
<tr>
<td>February 2001</td>
<td>2,259.5</td>
<td>93.8</td>
<td>89.0</td>
<td>1,327.0</td>
<td>758.6</td>
<td>568.3</td>
<td>749.8</td>
</tr>
<tr>
<td>May 2001</td>
<td>2,263.2</td>
<td>93.3</td>
<td>90.3</td>
<td>1,320.3</td>
<td>733.2</td>
<td>587.1</td>
<td>759.3</td>
</tr>
<tr>
<td>August 2001</td>
<td>2,268.2</td>
<td>93.3</td>
<td>90.8</td>
<td>1,323.0</td>
<td>714.4</td>
<td>608.6</td>
<td>779.1</td>
</tr>
<tr>
<td>November 2001</td>
<td>2,310.4</td>
<td>94.1</td>
<td>92.4</td>
<td>1,327.9</td>
<td>697.0</td>
<td>630.9</td>
<td>796.0</td>
</tr>
<tr>
<td>February 2002</td>
<td>2,324.4</td>
<td>96.7</td>
<td>92.0</td>
<td>1,330.5</td>
<td>679.4</td>
<td>651.2</td>
<td>805.2</td>
</tr>
<tr>
<td>May 2002</td>
<td>2,327.0</td>
<td>97.4</td>
<td>94.2</td>
<td>1,327.8</td>
<td>658.1</td>
<td>669.7</td>
<td>807.5</td>
</tr>
<tr>
<td>August 2002</td>
<td>2,337.8</td>
<td>94.1</td>
<td>97.9</td>
<td>1,326.1</td>
<td>639.1</td>
<td>687.0</td>
<td>819.7</td>
</tr>
</tbody>
</table>
### Number of Incapacity Benefit customers

<table>
<thead>
<tr>
<th>Quarter ending</th>
<th>Total IBLT</th>
<th>IBST(L)</th>
<th>IBST(H)</th>
<th>Total IBLT</th>
<th>Ex-IVBI</th>
<th>Other IBLT</th>
<th>Credits only</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2002</td>
<td>2,342.9</td>
<td>87.4</td>
<td>99.1</td>
<td>1,324.3</td>
<td>621.1</td>
<td>703.2</td>
<td>832.0</td>
</tr>
<tr>
<td>February 2002</td>
<td>2,337.7</td>
<td>88.5</td>
<td>94.2</td>
<td>1,323.1</td>
<td>602.6</td>
<td>720.5</td>
<td>832.0</td>
</tr>
<tr>
<td>May 2002</td>
<td>2,365.7</td>
<td>90.0</td>
<td>86.6</td>
<td>1,347.0</td>
<td>586.1</td>
<td>760.9</td>
<td>842.1</td>
</tr>
<tr>
<td>August 2002</td>
<td>2,377.0</td>
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<td>1,341.7</td>
<td>568.5</td>
<td>773.2</td>
<td>855.1</td>
</tr>
<tr>
<td>November 2002</td>
<td>2,384.2</td>
<td>91.3</td>
<td>89.3</td>
<td>1,339.9</td>
<td>551.9</td>
<td>783.0</td>
<td>868.7</td>
</tr>
<tr>
<td>February 2003</td>
<td>2,387.9</td>
<td>93.2</td>
<td>89.4</td>
<td>1,334.8</td>
<td>536.1</td>
<td>798.8</td>
<td>870.5</td>
</tr>
<tr>
<td>May 2003</td>
<td>2,394.2</td>
<td>93.9</td>
<td>88.4</td>
<td>1,333.0</td>
<td>520.8</td>
<td>812.2</td>
<td>878.8</td>
</tr>
<tr>
<td>August 2003</td>
<td>2,400.5</td>
<td>87.7</td>
<td>90.5</td>
<td>1,330.6</td>
<td>505.6</td>
<td>825.0</td>
<td>891.7</td>
</tr>
<tr>
<td>November 2003</td>
<td>2,409.2</td>
<td>88.0</td>
<td>92.6</td>
<td>1,326.5</td>
<td>492.2</td>
<td>834.3</td>
<td>902.1</td>
</tr>
</tbody>
</table>

*Source: Information Centre March 2004*

5. The table below shows that there are approximately 206,000 customers who are in receipt of Income Support who are also getting long-term Incapacity Benefit (including ex-Invalidity Benefit cases). On average, customers who receive ex-Invalidity Benefit are paid about £20 more per week than new Incapacity Benefit cases. Therefore, it is likely that they would form a much smaller proportion of the 206,000 Income Support recipients than their share of the overall Incapacity Benefit load might indicate.

### Income Support customers with income taken into account or disregarded, by number and type of items: November 2003 (in thousands)

<table>
<thead>
<tr>
<th>Department’s pensions and benefits</th>
<th>Items into account (000’s)</th>
<th>Items disregarded (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incapacity benefit—short term (low)</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Incapacity benefit—short term (high)</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Incapacity benefit—long term</td>
<td>206</td>
<td></td>
</tr>
<tr>
<td>Severe Disablement Allowance</td>
<td>193</td>
<td></td>
</tr>
<tr>
<td>Attendance Allowance</td>
<td>Nil (over 60)</td>
<td></td>
</tr>
<tr>
<td>Disability Living Allowance care component</td>
<td>476</td>
<td></td>
</tr>
<tr>
<td>Disability Living Allowance mobility component</td>
<td>517</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Information Centre March 2004*

### Average payments of long-term Incapacity Benefit in comparison with ex-Invalidity Benefit

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Incapacity Benefit long-term rate</td>
<td>£78.81</td>
</tr>
<tr>
<td>Invalidity Benefit</td>
<td>£98.63</td>
</tr>
</tbody>
</table>

*Source: Information Centre March 2004*

### Options

6. There are several options for the Project to consider.

- Leaving those who are entitled and in receipt of Invalidity Benefit until they retire or are no longer incapable of work. The “do nothing” option.
- Buy-out transitional protection with a lump sum payment that would be actuarially calculated depending on age of the client and the amount of Invalidity Benefit received and replace with long-term Incapacity Benefit.
- Freezing all amounts of Invalidity Benefit for a fixed number of years (for example 2 years), buy-out transitional protection and then replace all Invalidity Benefit rates with the Long-Term rate of Incapacity Benefit.
- Freeze individual rates of Invalidity Benefit and replace with Incapacity Benefit when Incapacity Benefit rates equalise with Invalidity Benefit, on a one by one basis. This is a “marked time” approach to phasing out Invalidity Benefit.
### Implications

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Implications</th>
</tr>
</thead>
</table>
| 1  | Leaving those who are entitled and in receipt of Invalidity Benefit until they retire or are no longer incapable of work.                                                                                      | **Pros:**  
  — Allows the issue to gradually phase out  
  — No losers  
  
  **Cons:**  
  — Continue to run two complex contributory systems side by side, requiring staff to be trained in old rules that apply to Invalidity Benefit  
  — Continues to be unfair to the more recent claimants of Incapacity Benefit as the old Invalidity Benefit rates remain more generous than Incapacity Benefit  
  — Disincentive to consider work as an option as rates of benefit are generous and continue to be uprated |
| 2  | Buy-out transitional protection and replace with the higher long-term Incapacity Benefit, current the basic rate is £72.15 (excluding age additions).                                                        | **Pros:**  
  — Would hugely simplify the system of contributory benefits for the incapacitated  
  — Negate the need to administer two systems at the local level  
  — A one-off lump sum payment may enable some clients to consider a move into work and the reduction in benefit may have a work incentive effect  
  — Equalises the disparity between the old more generous Invalidity Benefit and the new Incapacity Benefit rates—could be considered a fairer system  
  
  **Cons:**  
  — Costly (£2.5 bn)  
  — Some customers might become entitled to Income Support top-up.  
  — May be difficult presentational issues. These customers had been promised ongoing protection so will not expect their entitlement to Invalidity Benefit to change  
  — Possible European Convention of Human Rights issues to be explored.  
  — May influence negative behaviour ie those whose partners work part-time may choose to stop working so as to claim Incapacity Benefit/Income Support where entitlement may newly arise with a reduction of Invalidity Benefit |
| 3  | Freezing all the amounts of Invalidity Benefit for x years (eg 2 years), and then buy out all clients and replace all Invalidity Benefit clients with the Long-Term rate of Incapacity Benefit                                        | **Pros:**  
  — This is a more traditional way of treating transitionally protected cases so customers may be more used to this type of approach  
  — Would simplify system after 2 years  
  — Would give customers a specific time to adjust and come to terms with the change  
  
  **Cons:**  
  — Less costly than option 2  
  — The complexities would remain for a further 2 years  
  — Possible European Convention of Human Rights issues? Loss in real terms for those with frozen Invalidity Benefit  
  — Could float people onto Income Support. |
| 4  | Freezing individual rates of Invalidity Benefit and replacing with Incapacity Benefit when Incapacity Benefit rates equalise with Invalidity Benefit, on a one by one basis.                                             | **Pros:**  
  — This is the most traditional way of treating transitionally protected cases  
  
  **Cons:**  
  — Might be presentationally difficult as customers with Transitional Protection might feel that they were being cheated of their uprated additional pension, (ie a legal possession)  
  — Would take a long time to convert the entire |
No | Description | Implications
---|---|---
| | caseload and would involve a high level of clerical involvement ie each case would need to be assessed on an individual basis
| | Losers in real terms

Costs

7. There are 5 elements to the difference between Invalidity Benefit and Incapacity Benefit. They are as follows:

(i) **The Basic Rate**—This is identical for Invalidity Benefit and Incapacity Benefit, so nothing needs changing.

(ii) **Additional Pension**—Those on Incapacity Benefit have no Additional Pension. For those on Invalidity Benefit, the Additional Pension has been frozen. Over the life time of the benefit expenditure will be around £2.3 billion.

(iii) **Child Dependency Increases (£11.35 pw)**—These are the same in Invalidity Benefit, as they are on Incapacity Benefit. They are equivalent to the Child Tax Credit (but slightly larger—Child Tax Credit is £10.45). If the Child Dependency Increase is frozen, then the Child Tax Credit would reach the Child Dependency Increase level in about 5 years and then you can force everyone to move to Child Tax Credit at no extra cost to us or loss to customers. Currently, new Incapacity Benefit customers have to go straight to Child Tax Credit.

(iv) **Adult Dependency Additions (£30-£40 ish per week)**—If we individualise the benefit system, this will get lost anyway. This has not been costed as the figures are the same for Invalidity Benefit and Incapacity Benefit.

(v) **Age Additions**—At 3 rates for Invalidity Benefit, and 2 rates for Incapacity Benefit. The difference between the two costs around £16m this year. Difference until 2030 adds to around £150 million.

Costings for Various Options

8. Work has already been done by the Tax Credit team on costings for abolishing all Child Dependency Increases in all benefits. However, in Incapacity Benefit/ Invalidity Benefit this would cost around £550 million projected forward to 2030 (if current trend continues). However, everyone could be transferred to Child Tax Credits when they reach the same level. In this case, only the 5-year costs would need to be considered which comes to around £260 million. Buying out Adult Dependency Increases has not been costed but would be small compared to other elements.

<table>
<thead>
<tr>
<th>Option No</th>
<th>Description</th>
<th>Cost (£)</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No Change</td>
<td>Nil</td>
<td>£2.5 bn = £2.3bn (additional pension) + up to £150m (age addition) + (Adult dependency Increases, Child Dependency Increases). This is equivalent to an average one-off payment of £5,000 to each Invalidity Benefit customer</td>
</tr>
<tr>
<td>2</td>
<td>Buy-out transitional protection with a lump sum payment that would be actuarially calculated depending on age and the amount of Invalidity Benefit received and replace with long-term Incapacity Benefit</td>
<td>2.5 bn</td>
<td>This will result in an average one-off payment of £4,000 after 2 years</td>
</tr>
<tr>
<td>3</td>
<td>Freezing all amounts of Invalidity Benefit for a fixed number of years (for example 2 years). After the 2 years buy-out the Invalidity Benefit with a lump sum payment and replace all Invalidity Benefit rates with the Long-Term rate of Incapacity Benefit.</td>
<td>1.7 bn</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Freeze individual rates of Invalidity Benefit and replace with Incapacity Benefit when I Incapacity Benefit rates equalise with Invalidity Benefit, on a one by one basis. This is a “marked time” approach to phasing out Invalidity Benefit</td>
<td>Nil</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Information Centre & BFMD forecasts (with adjustments)*
Notes
1. 492,200 Invalidity Benefit customers affected
2. We have calculated future additional expenditure on Invalidity Benefit cases (as opposed to if individuals were on Incapacity Benefit) as: Expenditure = (difference in average amount) × (average number of years) × (Invalidity Benefit caseload). We have used projected forecasts (with some adjustments made by Bella) of additional pension alone in ex-Invalidity Benefit for the next 10 years, reaching a figure of £2.1 billion.
3. Some costings are not currently consistent with other costings which take other factors into account (ie: Income Support receipt).

*Family Employment Division*

WACG

*June 2004*

**How many people work in the Benefit Simplification Unit?**

— The Unit has a complement of 4 staff, one Senior Executive Officer and three Higher Executive Officers.
— It is supported by some additional input from a Senior Civil Servant and a Grade 7.
— A secondee from the Citizens Advice Bureau also worked on the Unit from June 2006 to March 2007.

The five staff mentioned in the June 2006 PQ included the secondee from Citizens Advice.

**What are the running costs of the Benefit Simplification Unit?**

— There were no specific set up costs as permanent staff were drawn from within the Department.
— Total running costs from when the Unit was set up in January 2006 until the end of the last financial year at March 2007 were £348,735.

*DWP*

*June 2007*

**Memorandum submitted by the Ministry of Social Development in New Zealand**

**RECENT DEVELOPMENTS IN NEW ZEALAND TO SIMPLIFY THE BENEFIT SYSTEM**

**Overview of the proposed changes**

1. The Social Security Amendment Bill (the Bill) currently before the House of Representatives introduces a number of legislative amendments to the Social Security Act 1964, which is the enabling statute for the New Zealand benefit and pensions system.

2. The Bill is part of a wide programme of work that has been underway since 2003 on support and services, the emphasis of which is on providing the right services and support for people to enable them, where appropriate, to participate in, or prepare for a return to, paid work. Many of the amendments in the Bill align and/or simplify the current system and stand alongside the significant changes in service delivery that are being progressively introduced.

3. One of the most significant of these changes is the introduction of obligations for the receipt of benefit, known as “expectations”, placed on people in receipt of Sickness or Invalid’s Benefits. The introduction of these expectations and the services that accompany them recognises that many people with ill-health and people with disabilities do want to work to some degree. The new system of expectations puts in place a framework that is modern and helps to ensure that all people on benefit have access to the right support to plan their return to work, where this is feasible.

4. Improvements are also being made to employment and training assistance. The changes that are being introduced are aimed at simplifying the assistance that is available, making it more flexible and accessible to a wider group of people and more effective in assisting people to find or return to sustainable employment.

5. As part of these initiatives the Ministry is working more closely with employers. The development of good working relationships with employers, industry partnerships and work brokerage all play important roles in assisting people to stay in or return to work.
6. The main objectives of the planned service changes include:
   - providing the right services, at the right time, right from the start
   - better targeted and more intensive case management
   - better access to a wider range of employment and training assistance
   - promotion of the development of services to meet client needs
   - improved client access to health, rehabilitation, disability support and carer support services
   - improved support and services for young people aged 15 to 19.

7. The diversity of the client groups and the complexity of the issues that people face, mean that it is not possible to rely on a single solution—one size does not fit all. A significant change is the development of three separate services. This means that we can offer people services based on their ability to work, rather than their benefit type, as was previously the case. The services are:
   - Work Support—for people who are able to work now
   - Work Development Support—for people who may be able to work in the future with the right support in the right job
   - Community Support—for people who should not reasonably be expected to plan a return to work in the foreseeable future.

8. Delivering case management and employment assistance on the basis of work status/readiness rather than benefit type means that the extent and intensity of individual support is driven by the services and level of support required by the individual not by some preconceived ideas of what the person is capable of doing based on their benefit type.

9. In addition to the improvement in services there are a number of other initiatives planned or underway. These include progressive implementation of the Job Search Service for those who are work ready and the development or procurement of appropriate services for people who are planning to return to work in the future.

10. The Job Search Service is a 13 week programme that provides structured activities designed to assist those people who are work ready move into work as quickly as possible through intensive job search activity and support. Where additional help is needed the programme ensures that people are able to access suitable employment and training assistance. Those people who are not able to find work within the 13 weeks of the programme and/or who need extra support to find work are assigned a case manager to work with them one-on-one.

11. The change in focus for young people that emphasises the importance of 16 and 17 year olds, wherever possible, continuing with their education and training includes a number of planned improvements to service delivery. For example:
   - intensive one to one case management (including, if appropriate, joint case management between various service providers)
   - expansion of the services available to young people to include substance abuse treatment
   - review of the assessment of family breakdown.

12. An enhanced service for 18 and 19 year old Unemployment Benefit recipients is also being introduced. This change recognises how important it is to get young people into work as soon as possible after finishing any formal schooling/training that they wish to do.

Legislative changes in the Bill that assist to simplify the system

13. The proposals for legislative change fall into two “groupings”. The first of these is a number of amendments that align and update some of the current provisions in the Social Security Act 1964. The second group are amendments to support the work-focused system that is being progressively implemented.

Changing requirements

14. Requirements on people in the current benefit system lack coherence and a consistent work focus. Instead of a system which presumes that large groups of people are unable to work, a system is proposed where, with the provision of enhanced support and services, most people will be expected to work, or take steps to prepare for work, where work is an appropriate outcome for them.

15. Changes to requirements for people receiving Sickness or Invalid’s Benefits will support the greater focus on working more actively with people with ill health and disabled people and providing them with the right services and support to participate in the labour market. Many people on Sickness and Invalid’s Benefits have indicated that they wish to work or to develop skills that will enable them to work at a later date—the development of services designed to do this is an integral part of the reforms. The proposed
changes, extending work-related requirements to Sickness Benefit and most Invalid’s Benefit recipients draw on the successful model of engagement and planning used for Domestic Purposes Benefit and Widow’s Benefit recipients.

Residence requirements and qualifying child criteria for Domestic Purposes and Widow’s Benefits (refer clauses 5 and 6)

16. The removal of the qualifying child criteria\(^{116}\) for Domestic Purposes Benefit and Widow’s Benefit means that eligibility in relation to the care of a child will be determined by the applicant meeting the new residency criteria (see paragraphs 17—below), and the child meeting the definition of “dependent child” in the principal Act.

17. The eligibility criteria for Domestic Purposes Benefit and Widow’s Benefit will also be amended so that people who are caring for a dependent child not their own can qualify for those benefits at the discretion of the Chief Executive and subject to the additional requirement that the child’s parents are unable, or in exceptional circumstances unwilling, to support the child.

18. Removal of the qualifying child criteria will align and help simplify the benefit structure. People who are caring for a child not their own provide a valuable caring role in society, yet currently they must meet hardship criteria before they are eligible for social assistance through the Emergency Benefit. Widening access to Domestic Purposes or Widow’s Benefits will extend financial assistance to these carers.

Eligibility criteria—residence (refer clause 10)

19. The current eligibility requirements in relation to residency are complex and differ widely across the various benefits, particularly in relation to period of residence. Many of the differences are arbitrary or reflect out of date assumptions or conditions. The proposed change will simplify the administration of the benefit system and align the residence requirements across all the benefits.

20. The current requirements that in order to meet the residence eligibility criteria a person must be a New Zealand citizen or permanent resident; and be ordinarily resident in New Zealand have not changed. The key changes are in the length of time a person has to be resident. These are summarised in the following table.

<table>
<thead>
<tr>
<th>Benefit type</th>
<th>Current residence rules</th>
<th>New residence rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment and Sickness Independent Youth</td>
<td>Must have lived in New Zealand continuously for 2 years at any time</td>
<td>Must have lived in New Zealand continuously for 2 years at any one time since becoming a citizen or permanent resident</td>
</tr>
<tr>
<td>Invalid’s</td>
<td>Must have lived in New Zealand for at least 10 years</td>
<td>Period of residence determined through any dependent children or the partnership</td>
</tr>
<tr>
<td>Domestic Purposes (Sole Parents and Women Alone) and Widow’s Domestic Purposes—for the Care at Home of the Sick or Infirm</td>
<td></td>
<td>No requirement</td>
</tr>
</tbody>
</table>

22. Refugees who have been granted permanent residence would be exempt from the two year residence requirement. They would still have to be ordinarily resident in New Zealand. People who fail to meet the residence requirements for a main benefit but who are New Zealand citizens or permanent residents and ordinarily resident may, on hardship grounds, qualify for Emergency Benefit.

Income stand-down changes (refer clauses 11, 16, 21 and 34)

23. The current benefit income stand-down provisions are complex, formula-based and depend on the family circumstances of the individual. Depending on these circumstances a person can face up to a 10 week stand-down. In practice very few people have more than a two week stand-down imposed. The proposed change to reduce the maximum income stand-down to two weeks for all those benefits subject to a stand-down will considerably simplify the administration of the system and allow applicants for assistance to know “up front” the maximum stand down that they could face.

\(^{116}\)These criteria do not recognise children born out of New Zealand as qualifying children for these benefits unless one of a number of exceptions based on the residence of the applicant or his or her spouse or partner applies.
24. The Bill also proposes to extend the current exemption from the stand-down for people applying for Domestic Purposes Benefit who have entered a refuge following a breakdown in their relationship to people applying for Unemployment Benefit, Invalid’s Benefit, Sickness Benefit and Independent Youth Benefit in the same circumstances. Extending the exemption to the stand-down to any applicant for assistance entering a refuge removes the present distinction and helps align the current system.

Back-dating of benefit when failure to grant due to departmental error (refer clause 12)

25. The current powers that the Ministry has to pay a benefit where a person has not made an application are very limited. The insertion of a specific correction power into the Act not only overcomes the current difficulties but is far more transparent and accessible to people.

26. The correction power will allow the Minister to consent to payments of a benefit commencing earlier than the date of application where some error or omission of the Ministry contributed to the applicant not making an application at that time.

27. The Minister may delegate the power to consent to the Chief Executive. Decisions taken by the Chief Executive will be able to be reviewed by a Benefits Review Committee and able to be appealed to the Social Security Appeal Authority.

Periods benefits are paid in respect of (refer clause 13)

28. The periods that benefits are paid in respect of currently vary depending on the benefit type that a person is receiving. Unemployment, Sickness and Independent Youth Benefits are paid in respect of a 5 day week. Domestic Purposes, Widow’s and Invalid’s Benefits are paid in respect of a 7 day week. Having two different payment week calculations adds complexity to the current system and is difficult to justify in terms of genuine benefits to people. Aligning the payment period for all benefits (including Emergency Benefit and supplementary assistance) to a seven day or weekly period assists to align the benefits.

Payment to continue for 8 weeks for all sole parents in receipt of benefit (refer clause 35)

29. At present only sole parents in receipt of Domestic Purpose or Widow’s Benefits can continue to have their benefits paid for eight weeks when they cease to have the care of a dependent child because of a sudden change in circumstances beyond their control. Payment is continued for eight weeks to allow the recipients time to adjust to the change in their financial circumstances. It is desirable to detach the length of time that a benefit can continue to be paid when a person has a change in circumstances from his or her benefit type. This move will mean that all sole parents will be treated the same in this respect and support the broader goal of alignment across the benefit system.

Application process for benefits (refer clause 24)

30. The existing benefit application process has been subject to a number of judicial decisions that have altered the original policy intent and resulted in administrative difficulties. This amendment, whilst arguably not a simplification of the system, does reflect current case law and provides a transparent process that is lacking at the moment.

Press Release from the Social Development Minister David Benson-Pope, at the New Zealand Parliament

COMPREHENSIVE REFORM OF SOCIAL SUPPORT SYSTEM PASSES

Legislation to carry out the most comprehensive and positive social assistance reform since the design of New Zealand’s system almost 70 years ago has been passed in Parliament today.

Social Development Minister David Benson-Pope welcomed the third reading of the Social Security Amendment Bill, which delivers on the government’s commitment to ensure all Work and Income clients get the right services, right from the start.

“This Labour-led government is committed to a social support system that actively helps people to find suitable and sustainable employment, and where case managers’ time is not spent working through unnecessarily complex benefit structures.

“Phase One of Working New Zealand: Work Focused Support, of which the Social Security Amendment Bill is the supporting legislation, provides individualised support for Work and Income clients based on their individual needs now and in the future, rather than their benefit category.

Clients who can work now receive enhanced Work Support services. Clients who are unable to work now but could in the future receive additional support through Work Development Support services. Those who are unable to work in the foreseeable future receive the appropriate financial support.
“With these new services, the focus is on what a person can do rather than what they can’t,” said Mr Benson-Pope.

“The Job Search Service, an intensive job support initiative targeted at people looking for work now, has been progressively rolled out through Work and Income’s 147 Service Centres over the past seven months.

“For those who are presently unable to work because of ill health, disability or caring responsibilities, Work and Income will ensure these clients are assisted to plan for their future and offered the right services that will help them achieve their goals.

“There will always be a group of people for whom work is not an option. Work and Income will ensure these clients are receiving their full and correct entitlement and that they are linked up to services in the community that can support them.

“These changes are about giving people the support they need. That’s the focus of this Labour-led government—investing in people,” said Mr Benson-Pope.