House of Commons
Work and Pensions Committee

White Paper on Universal Credit

Oral and written evidence

26 January and 9 February 2011

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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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Emily Holzhausen, Director of Policy and Public Affairs, Carers UK, Sam Royston, Policy and Campaigns Officer, Family Action, and Jim Vine, Head of Programme, UK Housing Policy and Practice, Building and Social Housing Federation.

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Rt Hon Iain Duncan Smith MP, Secretary of State for Work and Pensions, Neil Couling, Benefit Strategy Director, and Terry Moran, Universal Credit Director General, Department of Work and Pensions.

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Taken before the Work and Pensions Committee

on Wednesday 26 January 2011

Members present:

Dame Anne Begg (Chair)

Harriett Baldwin
Andrew Bingham
Karen Bradley
Alex Cunningham
Kate Green
Mr Oliver Heald
Glenda Jackson
Stephen Lloyd
Teresa Pearce

Examination of Witnesses

Witnesses: Mr Mike Brewer, Deputy Director, Institute for Fiscal Studies, Dr Patrick Nolan, Chief Economist, Reform, and Dr Stephen Brien, Chairman, Economic Dependency Working Group, Centre for Social Justice, gave evidence.

Q1 Chair: Thanks very much for coming to our first evidence session of this quite short inquiry into the Government’s proposals for a Universal Credit. Hopefully, in an hour, we’ll be able to tease out some of the main arguments for and against, and perhaps some of the elephant traps in what appears to be a very simple system on the surface, but I suspect is a bit more complicated underneath. If I can ask you first, Mike, about the piece of work that the IFS has done with regard to winners and losers; what were the findings of that report? Who were the biggest winners, who were the biggest losers?

Mike Brewer: Yes, thank you. We think that, as you say, there will be both winners and losers from this Universal Credit. Based on the information in the White Paper, 2.5 million families will gain, and in the long run after that transitional protection runs out, 1.4 million families will lose. It’s not simple to characterise who are the main winners and losers and why these gains and losses happen. Amongst those 1.4 million families that lose: 450,000 single adults, 140,000 couples without children, 440,000 couples with children, 370,000 lone parents. Amongst the 2.5 million families that gain: about 500,000 single adults, 280,000 couples without children, 1 million couples with children and 600,000 lone parents. I guess that the broad patterns we found were that two-adult families tend to do better than one-adult families, with or without children; low-income families tend to do better than middle-income families. It’s a progressive reform.

Q2 Chair: Do you think then that the Government was thinking of that when it devised the Universal Credit? Was there a plan behind who the winners and losers would be, or is that just an accident of the way that the present benefit system works as opposed to how the Universal Credit will work?

Mike Brewer: I think it’s a bit of both. Certainly the present benefit and tax credit system are not always perfectly aligned with each other, particularly the difference between tax credits and benefits and how they treat lone parents and couples with children. So there is a sort of inconsistency at the moment that has to go away when you move to a more integrated system like Universal Credit. But the pattern of gains and losses that we found came mainly from the choice of the earnings disregard, and those are brand new parameters that the Government had to choose. Given that Government had six months to work out what those parameters should be, I imagine that the pattern of gains and losses are deliberate, in particular the gains for couple families I imagine are deliberate, and they’re mostly a choice, mostly arising because of their choice of the earnings disregard.

Q3 Chair: The analysis that you did was based on the situation as it is today and the benefit system as it is today, but does not take into account any changes that are already in the pipeline, or is that not the case?

Mike Brewer: No, that’s not right. We tried to forecast what would happen in 2014, so we took account of all the changes announced by the Government between now and 2014 and then compared that with our best guess of how the Universal Credit would work.

Q4 Chair: Is it fair to say that some of the figures that the Government are quoting with regards to winners and losers, because they’re averages, actually disguise some of the bigger winners and some of the bigger losers, particularly the losers?

Mike Brewer: The Government did a standard distributional analysis, the average change in income by income decile, and we broadly replicated that. But it’s absolutely the case that within those simple averages there’s an awful lot of variation, much more variation in winners and losers than in a conventional, say, Budget announcement about some changes to taxes and benefits. The Government have basically ripped up the entire benefits system and started again from scratch. They’ve done a pretty good job of replicating current entitlements, but obviously you can’t perfectly replicate a complicated system with a simpler system. We found a huge amount of variation within every family type there are winners and losers and within every income decile group there are winners and losers.
Q5 Chair: But the nature of it being simple, it’s much more broad brush. Does that mean it’s going to be less sensitive and flexible than the present complicated benefit system is?
Mike Brewer: People often raise that as a concern. I don’t think we really found that in our modelling. I think we found that some of the complexities in the current system do look like complexities and don’t seem particularly justified. For example, one of the things we found is that families who work 16 or 30 hours are probably going to lose under the move to Universal Credit, but families who work 15 or 17 or 29 or 31 hours are probably going to gain under the move to Universal Credit. That seems odd, but it reflects an oddity of the current system—
Chair: Which are the cliff edges.
Mike Brewer: —exactly, the cliff edges, thank you— rather than a broad brush and simplistic approach of the new system.
Q6 Chair: Can I start by asking you, but then broadening this question out to the others in the panel, in terms of the proposed cuts to benefit spending that was in the Budget and the comprehensive spending review, and also the Government’s promise that no one will be worse off. People often raise that as a concern. Can the Government fulfill that promise that no one will be worse off with the move to Universal Credit, if that is based on today’s figures, can the Government fulfill that promise that no one will be worse off with the move to Universal Credit, if that is based on today’s figures as opposed to the fact that a number of benefits are going to be cut before they go into the Universal Credit?
Q7 Chair: I am going to move to Stephen and ask that question, but before you answer that question, can you say whether what’s come out in the White Paper is what you envisaged, as I suppose I could say that the Centre for Social Justice was the architect of this policy?
Dr Stephen Brien: Certainly, and let me just clarify, because I’ve been in front of this Committee before, that I’m here in my capacity as the author of the Dynamic Benefits report rather than somebody who has been working with officials over the summer. In answer to your question, “Am I content that the White Paper has produced something that’s closely aligned with our original vision?”, I think broadly yes. There are a set of trade-offs that have had to be made with respect to how much money is available and what else has been going on with respect to the benefit reform programme across Government. I think the broad thrust of what we were proposing has been replicated in the White Paper. The taper rate is slightly more severe than we had hoped for, but we were also very aware that, when we wrote the Dynamic Benefits paper, we were going to put one attractive option out there, but in the paper itself we set out a set of other options, realising that we were probably not going to be able to persuade the Government to spend as much money as we had proposed, but we wanted to show what could be done, and within the confines of the other options we proposed in the appendix of the report, it’s pretty well within that range; so broadly happy, yes.
Chair: So what are you not happy with?
Dr Stephen Brien: What am I not happy with? Well—
Q8 Chair: You can qualify that: where does the White Paper depart from the original vision?
Dr Stephen Brien: I think the biggest place where the White Paper departs is having a 65% taper rate rather than a 55%, because I think that it will have a fairly major impact on our ability to help people progress in work once they’ve entered the system. But I think the good side of it is that we have protected pretty generous earnings disregards so that the initial incentive and award for entering work, even at lower wages, is protected.
Q9 Chair: We have some questions about the tapers later. Is there anything else that is different?
Dr Stephen Brien: I think there are minor issues, but I think broadly no, we’d be getting into a lot of detail if we went into those smaller points.
Q10 Mr Heald: First of all, in terms of the losers who are being identified in the longer term, have you had a chance to look at what the longer term behavioural effects of the policy might be, because obviously that’s quite an important aspect of Dynamic Benefits?
Dr Stephen Brien: Yes, we did at the time of writing the report, and most of that has now been replicated in a similar order of magnitude within the Department, and you can see that in the White Paper. The main positive dynamic effect will be hundreds of thousands of people entering the work force; we’ll have to get the economic recovery going, but given the timings I think that should be a good confluence. The second positive effect will be lifting large numbers of low-earning households out of poverty, and I think the third positive effect should be the steady erosion of the couple penalty, which indeed you’ve highlighted already as one group of more advantaged winners than others.
Q11 Mr Heald: And is it right that the losers who are identified are by and large families that would have been getting tax credits at the very high levels which the last Government introduced?
Dr Stephen Brien: They are. I think to pick up on Mike Brewer’s points, specifically he mentioned the 16 and 30-hour points. For those of you familiar with
the Budget constraints, that’s the point at which the tax credit starts to become eligible for different family types. As a result it’s particularly generous at that point, and as a result, understandably, people have arranged their affairs around that financial benefit. So what we have are clumps of the population at 16 and 30 hours. As you try and create a smoother profile for people, so that 15 hours working becomes worthwhile and there’s a continuous progression, those two edges and corners are the areas where most of the losers will be.

There’s one other set of losers as well that I think is worth noting. Again, it’s a function of the tax credit system. It’s those who have reasonable amounts of capital and are receiving tax credits. What we saw was a lot of complexities within the system, but also a lot of inconsistencies, which I think we were actually very important to address from a broader social justice point of view: the idea of those on the lowest earnings or even on zero earnings having a strict capital test, and then those, say, working 16 hours having a much more generous capital test, where the capital test was on their income from capital rather than a standard return applied to it at a tariff rate. So what we have done as well is standardise that approach, so that what you will find is there’s another group of losers, a third group of losers, 16 hours to 30 hours, and then those who have been benefiting from the tax credit yet having quite a bit of capital. That basically funds the progressive nature of the reform.

Q12 Alex Cunningham: I want to take Mike back to what he was saying earlier about the Government’s six months to determine who they were going to target specifically, and the lone parents seem to be bigger losers than most. Do we actually know what that looks like yet? How big losers are lone parents going forward?

Mike Brewer: Well, we drew attention to lone parents in our report because they were the family type that would lose on average in the long run, and others—couples with children, families without children—would gain on average in the long run. They lose mostly because of the withdrawal rate in Universal Credit, which is effectively higher than that which currently applies under tax credits, so Universal Credit ends up being fully withdrawn sooner than tax credits currently are. So, most of the lone parents who lose are, as the previous member suggested, reasonably well-off lone parents, although, as Stephen said, there will also be a few lone parents with large amounts of capital who lose out. I’m afraid I haven’t got the figures in my head about what the average loss is, but as I say, why we drew attention to this is because they were the group that lost, on average. But again, as I said earlier, within lone parents there will be winners as well as losers: lone parents working fewer than 16 hours are very likely to gain and a great many lone parents will find that their incentive to work has strengthened from Universal Credit and their incentive to earn more has strengthened.

Q13 Chair: In the existing system, because of the 16-hour cut-off, was there already a behavioural shift that people were working 17 hours because that was maximising their income, and therefore they are likely to be the biggest losers?

Mike Brewer: It’s very clear evidence that tax credits affect the way that lone parents behave in the labour market; undoubtedly yes. We’ve shown in previous research that lone parents are particularly unlikely to work fewer than 16 hours compared with other family types. 15 hours a week is a reasonably common choice for people to work in the economy at large, but almost no lone parent will work 15 hours a week. Instead there is a large clump at 16 hours a week, which you don’t see for any other group. Yes, tax credits definitely affect lone parents’ behaviour; that’s unsurprising given the size of the cliff edges that Working Tax Credit causes. So yes, as you were saying, as there is a group of lone parents at 16 hours, and, as Stephen has described, those people are quite likely to lose, that is another reason why lone parents are losing on average.

Q14 Chair: But coming back to saving, the whole point of the dynamic benefit is that behaviours will change as a result, so are we going to see lone parents, as a result of these changes, working longer hours in order that they can maximise their income because they’re going to be the losers?

Mike Brewer: Yes, indeed, and some of these lone parents working 16 hours on a low wage who will lose on Universal Credit might find that their marginal withdrawal rate falls to almost zero from a much higher rate now. So yes, certainly there will be behavioural responses.

Chair: But if they’re working longer hours there’s challenges about child care and where the child care element fits into all of this, which is a question I think for our next set of witnesses.

Q15 Glenda Jackson: Really it’s to both Dr Brien and Mr Brewer. You speak of families and Dr Brien spoke of households. Has the Government actually defined what it means by “family” and “household”, or is it just based on the kind of work patterns as they exist at the moment within the benefit system? Because there is a big difference, in my view, between a family and a household, and the household may, in fact, be in as much need of the benefits system as a family.

Mike Brewer: I was using the term to refer to a set of people that are treated as one by the benefit system, so an adult, their partner and their dependent children. That was the sense in which I was using “families”. I imagine Stephen was using the term also fairly loosely as well.

Dr Stephen Brien: Yes.

Mike Brewer: The Universal Credit will look at the concept of a family that the benefit system usually looks at: a person, their partner and their children.

Q16 Glenda Jackson: Don’t misunderstand me. I wasn’t querying your choice of semantics; I was actually trying to dig out what the Government’s approach was. How does the Government define what is family? Does it also attempt to define what is household? From what I’ve read, they keep talking about families all the time, but a household can be as
It’s the core economic unit. It’s trying to find that nexus of the core economic unit. That is the entity that needs to be provided with the support. So that’s the sort of unit that the Government’s been working on, it’s one that is the historic definition. To my knowledge, there are no plans within this reform to change that definition. There may well be tweaks around the edges, but no substantive reforms to that definition of what the unit is that has money channelled to it.

Then to your question whether there are specific biases or preferences within Government policy to help one versus the other, let me just say what we proposed at the time and you can draw your own conclusion then about where they’ve gone. Benefit units that comprise two adults, versus one adult, and particularly families—i.e. with kids—we advocated that they should be greater recipients than they are today because of a couple penalty that we identified, and there’s clear evidence that lower-income people were less likely to form couples and the pattern of that correlated with the incentives in the benefits system.

The other group that we were particularly keen were helped were low-earning young people, for the very reason that, first of all the absence of accessibility to the Working Tax Credit for those under 25, the high withdrawal rates and the long-term effect of that group not getting on to the labour market at an early age, they were, certainly for us, the CSJ, another priority group.

Q17 Chair: Patrick, is it fair to say that, reading Reform’s submission to the Committee, you’re a bit more cynical about how this is all going to work, and international experience suggests they’re coming up with a good idea but actually in practice it’s much more difficult to see through?

Dr Patrick Nolan: I think that’s right, and it’s not just the international experience. This is also not a new idea for the UK as well. This has been investigated by this Committee in previous Parliaments as well, so it’s particularly not a new idea, and I think it’s important to make that point, because the risk that we can have with the discussion that we’ve been having is that we can be quite precise, but we can also miss the point, in the sense that this is £1.7 billion of spending, according to the IFS numbers, or maybe £2 billion. The question we have to ask is: is this value for money? In particular, Mike mentioned the large cuts that are being made in other parts of the welfare budget, so we have to balance this £1.7 billion of expenditure against those other cuts, the cuts that we’re making in other budgets as well, the need for increased taxes, and so we have to put this into the public finance context as well.

If we start to look at it in that perspective, then you do have to say we’ve been here before and we’ve discovered that this isn’t actually workable. We’re already seeing a lot of difficulties with the use of the PAYE system just for people to pay tax or to work out people’s contributions to pensions. How is this going to work when we are also trying to roll the welfare system into a computer-based PAYE system? That’s just to give one practical limitation.

So we do approach it from a relatively sceptical point of view, and I guess the reason we feel quite strongly about that at Reform is that it’s not just the money but there’s also the opportunity cost. There’s no doubt that we have to do something about welfare. We do have to make it easier for people to work and we do have to make the system as a whole fairer, and the concern that we have—and this is speaking as someone who’s not just the chief economist at Reform but someone who was a civil servant in New Zealand and worked on similar things—is that we spend a lot of time trying to develop this Universal Credit when we could be doing better things with our time and better things with our money, because we do actually have to fix the welfare system and I do not think this is the right fix.

Q18 Chair: Can I ask you and Stephen the question I asked of Mike: that in order to make the Universal Credit work, in order to fulfil the Government’s promise that there won’t be any cash losers, then there has to be fairly swingeing cuts in benefits before Universal Credit is set up?

Dr Patrick Nolan: Again we have to always go back to—it’s the former civil servant speaking in me, I guess—objectives and what we’re trying to achieve, and I’m always cautious about policies that set out to avoid any losers, because actually sometimes that’s the point of the reform, because sometimes what we’re trying to do is we’re trying to send a signal to people that lifestyle on a benefit, in the long term, may not be as rewarding as it has been, and so we do have to create losers. That’s never something you should do glibly, but sometimes you actually do have to bite the bullet and you do have to create losers.

Now, as Stephen mentioned as well, you also have to see losers in quite a dynamic sense. A lot of the measures we do, simply because of the limitations of the computer models, the discussions we’re having—these are estimates; these aren’t facts that we’re talking about. We all know, and I’ve used micro-simulation models a lot when I was a civil servant, and I remember being hauled in front of Ministers to explain why, before reforms, we undertook estimates of winners and losers, and after the reforms, the numbers were completely different. Well, it was because the modelling is always limited. I do think the IFS and the CSJ have to be congratulated for doing this work, though, and it is important that we have these estimates, and it’s disappointing that the Government hasn’t been publishing more of these sorts of estimates, but they’re always limited.
Chair: You’ve always got the problem that you can’t model human behaviour, necessarily.

Dr Patrick Nolan: You can’t model that, but again, an important part of rational policy advice is to have more information, but we always have to have that caveat that these are estimates and not facts, and when it comes to trying to model behaviour it’s particularly difficult, particularly because the way that people decide to work is not just an individual decision; it has to be put into the context of the labour market, and this is one of the things that we don’t understand. Now, we know that, for example, if you’re a lone parent who leave the benefit do quite heavily go on to full-time work if they exit the benefit. Something like 50% of lone parents who leave the benefit, based on a DWP 2004 study, go into full-time work and only about 1% into part-time work. Now, the question we have is: is that because of the incentives in the system, or is it because of something in the labour market? The fact that you have to be able to cover your child care costs you really need to be going into full-time work?

We have to understand not just the incentives on an individual level or the micro-simulation thing; we have to put this into the context of: how are employers going to respond to this? How does it fit in with current trends of labour demand and all those other sorts of questions. Now, the concern that we have about the White Paper is that there’s no indication that any of those questions have been looked at.

Q19 Chair: It’s assuming there will be losers—that’s the point of the change—and the Government should be more honest in saying there should be losers rather than the promise that there won’t be any cash losers.

Dr Stephen Brien: I think you need to look at it in context. If you’re willing to spend the money that we proposed—I mean we set out a design at the CSJ that deliberately set out to have no losers, and accepted the costs of that in order to put something down on the table so that the debate could focus on the principles and the costs of labour market reform. All those other sorts of questions. Now, the concern that we have about the White Paper is that there’s no indication that any of those questions have been looked at.

Now, I think when you then look at what the Government has done and the context in which the Government is doing it, it becomes a little bit more complex, because it’s not just a case of: can we find a cost-neutral version of Universal Credits? It is in a context of, “We also have chosen to make quite significant cuts to the overall benefit bill.” Now I think you have to say to yourself, “How do I want to do that, and am I trying to get those cuts to the benefit bill, which are fundamentally cost reductions, aligned with the broad purpose of the Universal Credit reform as well so that we can say that while cutting costs, we’re also trying to increase incentives to work?”

Then I think you can make some arguments around two major parts of the benefit cuts. For example, the overall cap on benefits in one that only applies to those not earning. Whatever the discussion around the merits or demerits of a cap on benefits, the structure’s very much sympathetic to the overall design, because it says if you’re working, that cap doesn’t apply. So actually there’s quite a significant incentive for those with large families to enter the labour market that doesn’t exist today.

I think at the top end, again, whatever you may say about the manner in which the child benefit is going to be withdrawn from higher earners, the principle of doing that aligns with the progressive nature of what we’ve been aiming for. But it’s a very particular type of progression, and I know that Patrick will be more than happy to see the child benefit come down as we’ve discussed in public before. But I think the progressive nature of it is also very important, because typically, with most of these reforms when they’re analysed progressively—and both parties have criticised the Government—there’s this rough view that you get from the deciles, but the progressive nature that we’re providing in our report, and I think the Government is working on mostly, is to say, yes, it’s low earners who are going to gain—it’s not the low income, i.e. zero income who are going to gain—and it’s a very particular type of progression. I think that’s a key part of it, so that you’re saying to people, “If you are on low earnings, you are going to be much better off than you used to be. If you have no earnings, actually that is where you are going to be hurting a little bit still. But, the reward is, if you can’t get into work, you can make up most of those cuts, and if you’re a slightly higher earner, medium to higher earner, receiving benefits is probably socially not the right thing to do and not the most effective use of money.” So we’ve brought the money together into that focus point of low earners.

Chair: There are obviously questions about the labour market, but we’ll leave that.

Q20 Harriett Baldwin: My question is to the IFS and it’s about the transition protection. Does the transition protection protect every group of people from any cash loss when the Universal Credit is implemented?

Mike Brewer: The Government has said that existing recipients of benefits and tax credits will be protected at the point of transition in cash terms. I think what that means is if an existing recipient is moved across to Universal Credit and then things change, then this transitional protection might not apply. Say their circumstances improve, maybe they will then face the correct entitlement of Universal Credit. It’s also a cash protection: as time goes on, inflation will erode that cash protection, essentially. I don’t know the answer; I’m very keen to know—maybe the Government will tell us when the Bill comes out—how long they think this will last. My feeling is it won’t last that long for most families because family circumstances do change quite frequently and obviously, as I say, inflation will erode that cash protection. This is mostly an issue for working families, of course. Families who are out of work and have no other sources of income should get the same Universal Credit as they get in the current system. So this transitional protection is mostly going to be applicable for families in work currently receiving tax credits.
Q21 Harriett Baldwin: So, in the roll-out of Universal Credit, are you saying that there are no cash losers as far as you can tell?

Mike Brewer: I’m just reciting to you what’s in the White Paper. The Government said, “At the point of transition, no family will lose in cash terms.” That’s on the day they transit. What happens after that, the Government can’t give any promises. It seems like if their circumstances change, and that’s going to be quite common for working families, to see their circumstances change, then they may well lose under Universal Credit.

Harriett Baldwin: So, you spoke about the long-term cash losers didn’t you, when you were talking about losing; this was over the long term after transitional protection had—

Mike Brewer: Yes, indeed, exactly, or in a world where all recipients of Universal Credit were brand-new claimants. Anybody who would want to start a new claim of benefit when Universal Credit comes in will have to claim Universal Credit, and they will be losers in the sense they will get less Universal Credit than they would have got under the previous system.

No, our main analysis and the numbers I read out earlier was about the long run, when the transitional protection had gone away. In our report we do provide some estimates of the gains with this transitional protection, assuming that all families are protected. But that’s also unrealistic, because, as I said, this transitional protection will gradually fade away as family circumstances change.

Q22 Harriett Baldwin: Is it possible that relatively small changes in family circumstances could trigger a change in the transition protection? So, for example, if you’re a lone parent and you move into a couple relationship, would that trigger a change in the transition protection?

Mike Brewer: I don’t think the Government has set out quite that detail but I would imagine that would certainly count as a change of circumstances. What I’m less clear about is whether a change in earnings would count as a change of circumstances. I’m almost certain a change in family type like that, which at the moment would trigger a new claim for tax credits, would count as a change of circumstances, yes.

Q23 Harriett Baldwin: But in conclusion, on this transition protection issue, when your report says that 1.4 million stand to lose out, that’s only assuming that there is no transition protection?

Mike Brewer: Absolutely, yes.

Harriett Baldwin: So with transition protection, there are no losers as far as the IFS can tell?

Mike Brewer: Yes.

Chair: I think we will move on, because we have got bogged down in what was effectively our first line of questions. We now have questions on tapers.

Q24 Stephen Lloyd: Dr Brien, starting with yourself, does the Government’s proposed taper level of 65%, compared with the 55% that you put in your proposal, provide sufficient incentives for people to take on work or to increase their hours, or does it in your view cause a real problem? Bearing in mind, as you’ve already mentioned, we’re obviously under particular financial constraints, so the Government can’t perhaps go quite as far as it may want to, but do you think the 65% taper is a real problem?

Dr Stephen Brien: I don’t think it’s a real problem, and let me break that down into a number of things. One, it won’t have a dramatic effect on the incentive to enter work, because the main financial reward comes from the earnings disregard as opposed to the taper rate. If you then break down the population of low earners into two groups, those who are currently in receipt of Housing Benefit will under Universal Credit have a much lower net withdrawal rate than they do today: under 65% or 55%. So those in receipt of Housing Benefit will be given quite a significant incentive anyway. Going from 95% to 65% as opposed to going from 95% to 55% is not that material because the bulk of the improvement will be there for them.

The group that are low earners and are currently not in receipt of Housing Benefit, so they either own their own home or are mortgagors, they run the risk of actually having a slightly increased net taper rate. They will benefit from the earnings disregard and they will benefit from the simplicity, but they would have a slightly increased net taper rate. So that’s the group that one would say, 55% versus 65%, there’s a slight risk of them not working as many hours or as high earnings as they might possibly have done, under the new regime. However, that’s the group at the moment that I think one would be least worried about. Given the way they have set up their affairs, they have demonstrated that they are the ones working the longest hours today among low earners.

Q25 Stephen Lloyd: So in a sense one might say that in the perfect world it would be nice for that group to equally benefit, but culturally, or for whatever appropriate reason, they actually, one might say, have that work ethic; they’re just unfortunately consequently not benefitting as much as those who perhaps have got stuck in the benefit trap and don’t have the cultural ethic.

Dr Stephen Brien: Correct, and the comparative difference in work ethic may also be a legacy function of the structure of the existing benefit system anyway.

Q26 Stephen Lloyd: Do you have anything specific to add to that, Dr Nolan?

Dr Patrick Nolan: Again, we have to be careful about having a discussion that’s too precise but also misses the key points. The way I always view abatement is it’s a bit like a balloon, and effectively what you can do is you can squeeze the balloon downwards or sideways and you move the abatement around. That’s all you can really do with the benefits system, because the more you put in, in terms of the more you spend on the benefits system, you always have to abate it somewhere else. So you can’t ever avoid the problem of abatement, and we can go all the way back to Beveridge’s 1942 paper. This is the stuff that he was worried about as well. There’s no actual way of avoiding disincentives somewhere in the welfare system. The concern that we have at Reform is, if we go back to the balloon analogy, sure you can try and...
squeeze the balloon, so you lower the disincentives at one point, but you’ll simply push them up somewhere else in the income distribution.

Now, the concern we have is, if you spend more money through the welfare system, you effectively make the balloon bigger, so you might squeeze it down, but you are going to have disincentives further up. This approach of trying to get around disincentives by spending more through the welfare system, well, we tried this with tax credits, and this is where we are now, and now we’re going to try this again with Universal Credit. So this is an approach of trying to avoid a trade-off that you can’t avoid, through spending money—that has actually failed before.

Now if we go back also to my earlier points about seeing this in the context of the labour market, as the IFS have shown, if you take the case of a lone parent on about £6.30 an hour with two kids, the incentives are better for them to work part-time up until about 15 hours a week. Now, the question we have is: do those people want to work those hours and are the jobs there? Because if you look at the exits from benefits, lone parents are going into full-time work. Now, that could be a consequence of the benefits system meaning that people don’t work part-time, but then if you think about there that we haven’t actually answered. We don’t know if these programmes and these incentives will actually work in the context of the labour market.

Q27 Stephen Lloyd: I appreciate that. However, the basic principle of having the taper at 65%, as opposed to up to 95% or even 100% under current benefit systems—I would assume that you would agree that that would be the right direction of travel, if not the only direction of travel, whether or not it goes as far as perhaps you would like?

Dr Patrick Nolan: There is a lot of economic research on this, and the question is: is it better to have very high abatement at a very—the trick is, if you have very high abatement then people can leap over it at quite a short number of hours. So if the abatement takes place over five hours but at a very high rate, then people have a choice of increasing, say, if they get a job that means they can work 10 more hours; they just simply leap over the abatement. If you have a broader abatement it’s harder for people to leap over it. So there’s actually no definitive answer as to which is better—a high or broad tower—because all you’re doing is shifting the disincentives around. So that’s why I keep going back to the labour market context, because we have to know where the jobs are, what hours people are working and also how responsive people are to incentives. Different people in the population respond to incentives in different ways, so we also have to take some of these factors into account.

Stephen Lloyd: No, I appreciate that, and thank you for that. Dr Brien?

Chair: Can I just stop you there? I am conscious of the time, and we only have an hour. I’m going to move on to disregards.

Q28 Karen Bradley: We’ve heard that the earnings disregard actually might have more of an impact on incentives to go into work than the taper rate. Dr Nolan, at Reform you’ve argued that changes to the earnings disregard are a relatively ineffective way of increasing labour supply. Can you give a bit more information about that?

Dr Patrick Nolan: It might seem counterintuitive, but this is based on a lot of the research that has been done in the United States by people like Rebecca Blank, and the United States is interesting because they had the very big welfare reforms, the Temporary Assistance for Needy Families ones, but because it’s a federal system all the states effectively tried to do different things with their disregards, so they’ve effectively got a good natural experiment. One of the things, and this is what Rebecca Blank was quite surprised about, was that it was relatively ineffective at encouraging people into work, and for two reasons. One, she notes the complexity, and so people don’t necessarily respond to disregards as a way they would want to, because they don’t understand them or because it’s quite hard for them to see how it will affect their incomes. Also, what it means is it might make work rewarding for a couple of hours a week, or it might make work for five hours at a low wage attractive, but a lot of people don’t go into those jobs, and so for those people who can enter work above the point of disregard, they’re not getting any benefit in the impact of reduced marginal tax rates. So they’re not actually benefiting in terms of those incentives in the way that you’d expect.

This is why—I probably sound like a bit of a broken record—I keep going back to that labour market context, because often we assume that people can work for one hour and then they might get another hour’s work, and that’s the way a lot of the modelling is done. But in reality, we know that people jump around between different states. People will jump into so many hours of work; they might work for five hours and then suddenly they’ll leap up to 40 hours’ work. We know that the labour market operates in quite a lumpy way. So this is why some of the fine tuning of incentives isn’t actually necessarily the best approach. We have to think a bit differently about this.

Q29 Karen Bradley: So you’re not looking at the people who are offered an extra three hours’ overtime; you are looking at people being offered a different job or going from no work into work and actually the earnings disregard—

Dr Patrick Nolan: The disregard is for the first few hours of working at a household level. So in terms of the reduction in marginal tax rates, that’s where it has its impact. Above that, sorry for the economics here, but you don’t get the reduction of marginal tax rate, but you’ll get an income effect that may or may not encourage work. So from a purely theoretical perspective, you’d expect the results of a higher disregard to be mixed, and that’s actually what the literature shows, that they’re probably not that effective.

Dr Stephen Brien: Let me paint two pictures of the labour market. I think Patrick brings up some valuable points in respect to that. Let me go back to the world of Beveridge; a world where it was predominantly full-time, mostly male employment; a world of lower
out-of-work benefits. In that world it’s quite easy to set up a system, much as was done at the time, of very high withdrawal rates of the benefits because if the male was entering work, could get into full-time work, and in effect jump over, exactly as Patrick has described, the benefits system, the taper rate, whether it was 100% or 90% or 50%, was quite immaterial because anybody in work was basically well over that, because also the actual level of benefits itself was low. Shift forward 60 years and we have out-of-work benefits that are much higher, much more generous, and we have a labour market that is much more diffuse. As a result of that, that paradigm has to be challenged and has to be reviewed. What you have therefore is a system of saying, “How do I find a regime that works so that those, five, 10, 15-hour jobs are accessible to those on benefits?” That’s why I think we have to have a different approach. It may be costlier, and we’re certainly not going to be able to fine-tune it, but if we can get it roughly right we should be able to get the dynamic effect working so that those who are potentially going to earn low wages will be better off in part-time jobs and therefore can move in. That’s one of the reasons why I think you need to have fairly generous earnings disregard, not because it’s going to provide all the incentive and do everything. Think about it more as about removing obstacles. There’s a lot of push, there needs to be a lot of active labour market effort to help people, coach them, help them move into jobs. There needs to be cultural and social change, but also we need to say, “Okay, what are the obstacles to getting into work?” You’re not going to be better off. Well, let’s make sure that you are better off. You can’t afford your child care. Let’s make sure that’s available at an appropriate level, etc. I would say think about the earnings disregard as significantly removing one of the big obstacles, so that that first leap in is as rewarding as possible. Once people are there they are more secure and it’s easier to have a slightly higher marginal tax rate going on once people are in a job to progress. The first most difficult step is the one that we have to give the biggest reward to.

Q30 Karen Bradley: So this is an idea to help people into work in the first place: it’s not so much the incentive for people who are already in work to go from five hours to 40 hours, for example?

Dr Stephen Brien: If we go back to the original report and the work we did, the primary issue that we were trying to address was the trap from out of work into work. The second-order issue was progress in work, and the first-order issue was: how do we remove the obstacles to entering work? All the research that we were seeing from a social point of view was workless households is the big problem, because that is not just an income issue: it creates a whole load of other social problems as well. If we can get more people into work, even if it’s only five, 10, 15 hours a week, if each household has one earner it creates a whole new society.

Q31 Mr Heald: As Dr Nolan mentioned the labour market, I want to make the point that these sorts of benefit policies help to create the conditions for flexible employment, which is a very important part of our labour market.

Dr Stephen Brien: Absolutely, yes. I know it was a difficult fourth quarter in the economy, but if you look at the type of jobs that were being created during that fourth quarter, they were predominantly part-time jobs. We are having a transition that is continuing in the labour market, and I think we need to make sure that, if that is what employers are looking for and if they are saying we are going to take ourselves out of recession step by step by step, the labour force is also able to enter the labour market step by step by step.

Q32 Glenda Jackson: Just what were the regional examinations that the Government put into this, because there are enormous regional variations of people being not in work and actually getting into work? If I simply look at London then you’re looking at Housing Benefit: one of the reasons why most people say to me they can’t take work is that the rates of rent are infinitely higher than they would be in other parts of the country, and we are looking at a time when wages are going to stay very low. So are those regional variations part and parcel of the Government’s thinking, because the Universal Credit is set at an absolute for the whole country?

Dr Stephen Brien: I can’t speak for the Government’s thinking today, but our thinking at the CSJ was to say most of the regional variations that are required come through the gross award, which is factored through the Housing Benefit levels being different in different parts of the country. So the amount you need to live on if you have no other source of income in different regions is very different, and that is predominantly reflected through levels of Housing Benefit, rather than saying we should have different taper rates or disregards within different parts of the region. That may well be an argument to do that as well. I think that starts to add greater complexity.

Q33 Kate Green: The question I’m asking as a result of the last couple of sets of questions is: what estimate has been made of the effect on in-work poverty?

Dr Stephen Brien: We made some estimates, but I think the Government has also published in the White Paper quite a bit on that.

Q34 Kate Green: Following Karen’s argument, it gets people into work: it doesn’t help them progress. In that context, what does in-work poverty look like?

Dr Stephen Brien: In-work poverty would be dramatically reduced under this system, because families, households, benefit units that are in work and in poverty are mostly those who are currently not accessing the Working Tax Credit, and because of the nature of the earnings disregards, that group that are currently under the Working Tax Credit threshold are those who are the biggest gainers. So the vast bulk of the poverty reduction that has been cited in the White Paper is from in-work poverty, and from that particular group of low-wage earners working on low hours who are currently doing the right thing but are not being credited.
Q35 Karen Bradley: One of the issues that’s come up on the earnings disregard is about the under 25s, and clearly youth unemployment is a big issue. I know the CSJ and Dynamic Benefits did suggest that there should be an earnings disregard for the under 25s, but the Government have not put that forward. I’d just like your views on that please.

Dr Stephen Brien: Cost.

Dr Patrick Nolan: But also we have to look at the people that are quite responsive to these things. We know that participation, particularly of younger males, is relatively insensitive to financial incentives—you wouldn’t want to provide the disregard because we can encourage those people into work quite easily. To go back to the flexible labour market point as well, and I guess a related point, we have to think practically about how these things work, because while it might seem like a simpler system or a more flexible system on paper, it’s going to be harder for employers, because now a lot of these people who would be working below the tax threshold will now have to be rolled into the PAYE system. So we have to move beyond how these things look on paper to think about how they can be implemented in practice, which comes back to the cost point that Stephen mentioned.

Mike Brewer: The previous Government decided not to give Working Tax Credit to the under 25s because it thought that most people under 25 have a low income only temporarily. I remember from modelling we did almost 10 years ago that it would dramatically have increased the cost of the Working Tax Credit had it been given to under 25s who worked less than full time. You have a whole body of students working part time, for example, and it seems odd for the Government to support them when they’re working. So I don’t have strong views either way.

Chair: We now move on to other incentives.

Q36 Andrew Bingham: We’ve talked about the reluctance of claimants taking on the risks of going to work and more hours, but there are other key barriers such as child care costs, work associated costs, transport, etc., passported benefits. What does the Government need to do to address those? Start with Mike, because he’s had a bit of a quiet time.

Mike Brewer: The White Paper was fairly quiet on those issues. The Government is almost redesigning from scratch the way it supports child care and hasn’t said what it wants to do about passported benefits. I agree though, those are part of the issue of whether you work or not at all. What the CSJ focused on or said was the most important thing is to make sure that work pays more than not working, and we’ll worry a bit less about your incentives to earn more when you are in work, and I made a similar argument in an earlier work. Really you should see passported benefits as being part of that decision; they mostly affect the decision about whether you work or not. Families with children say, “I’m going to lose my free school meals, so why should I leave Income Support?” The Government needs to come up with an answer and hopefully one that is reasonably transparent. There are various technical ways of getting around the issue of passported benefits. You could cash them out; you could make them available to more families, which the previous Government suggested and this Government decided not to do. Child care as a whole is a completely different issue, and the Government, as I say, is essentially designing from scratch the way it supports child care. It seems to want to support more families with the same amount of money, so something will have to give somewhere and it’s quite sensibly, in our view, looking at the way in which the child care tax credit is administered.

Dr Patrick Nolan: I think Mike’s point about perhaps cashing out passported benefits is an interesting one in the sense that we have to be careful about simply trying to simplify the system and layering in all these additional complexities as a transitional measure, because they tend to persist in systems. We can talk about the child care costs, but as well as that there’s also the bigger question of: are we always going to make it so that work will always pay if we take into account all the costs of working? Well, probably not. Is it the role of the welfare system to do that? I don’t think it is solely the role of the welfare system. Sometimes there’s a cost of working and sometimes individuals and families have to take some of that responsibility on themselves. The flip side of providing a welfare system that does a pretty good job of providing for people and ensuring that poverty doesn’t go too high is that individuals and families have to take some responsibility; if work’s available and it’s reasonable then they have to also consider it and take it on and face some of these costs, because it’s better for society and it’s better in their long-term interests as well. So I don’t think we can ever devise a system that’s going to compensate people for every single in-work cost and neither do I think we should.

Q37 Andrew Bingham: I’m conscious of the time, so before Dr Brien answers that one, can I just ask you that in the Dynamic Benefits report you talked about the couples penalty, the disincentives of marriage and people cohabiting. The White Paper says that it will be assessed on a household basis. What are your views on that? Disappointed or accepting of it?

Dr Stephen Brien: I’m not too sure I see the distinction you are making in the question.

Andrew Bingham: Well, as opposed to—it will be acknowledged it is done on a household basis individually, almost. Do you think that’s a better system, or do you just acknowledge it per se?

Dr Stephen Brien: I think it’s pretty well what we were proposing. I think the Universal Credit should be developed on a household basis because that’s the fundamental economic unit that needs to be supported. I think the next question is: what should be the relative generosity for a household that has one adult versus two adults? I think that’s where we were saying that historically the two-adult household has lost out versus a one-adult household, and as Mike said, I think part of the Government’s shift is to increase the comparative generosity for two-adult households, which we would support and we endorsed at the time.

Q38 Chair: Can I just ask one last question of you all? Is it the case that the White Paper has done all the easy
stuff, and all the difficult stuff—the child care, the passported benefits, the disability premiums—still has to be decided upon, and once those things are decided upon it could skew everything and some of the withdrawal rates could be over 100%?

Mike Brewer: It is certainly the case that the White Paper has not addressed some of the more difficult technical fiddly issues of designing a new benefits system, and those fiddly difficult technical issues might well lead to some groups complaining very loudly that they are losing quite a lot of money. In that sense they have some quip to the White Paper and Universal Credit, and hopefully with the evidence session we’re about to have, you will be able to either shed some light, or perhaps shed some shadows, on the things that still need to be decided and some of the pitfalls that Government could find itself in if it doesn’t come up with the right decisions on that. So we’ve some questions on claims, payments and administration.

Dr Stephen Brien: I would say that the White Paper sets out the direction of travel and gives enough principles whereby the next set of knotty issues can be worked through. I think Mike was right to say there is still a fair bit of work to be done on these, but I think we have a framework and a set of principles in which most of those decisions can be made, even though the details need to be worked through, and absolutely, I think implementation is very much the next challenge, although I have a more optimistic outlook than Patrick on that.

Chair: And our next set of witnesses have been chosen specifically to address some of these difficult issues, so can I thank the three of you for coming in this morning. It has been very interesting and was useful. Thanks a lot.

Examination of Witnesses

Witnesses: Ms Emily Holzhausen, Director of Policy and Public Affairs, Carers UK, Mr Sam Royston, Policy and Campaigns Officer, Family Action, and Mr Jim Vine, Head of Programme, UK Housing Policy and Practice, Building and Social Housing Federation, gave evidence.

Chair: Welcome to our next set of witnesses. As you’ve just heard, the reason that you’ve been invited is that you actually represent organisations that represent the range of things that perhaps have not been decided upon to do with the White Paper and Universal Credit, and hopefully with the evidence session we’re about to have, you will be able to either shed some light, or perhaps shed some shadows, on the things that still need to be decided and some of the pitfalls that Government could find itself in if it doesn’t come up with the right decisions on that. So we’ve some questions on claims, payments and administration.

Q39 Kate Green: We were just talking a few moments ago about the challenge of implementing and administering this new benefit. I wonder if you could comment on some of the new ways in which it is proposed the Universal Credit will be claimed, paid and administered, and any of the pitfalls that you might see in relation to that? Perhaps we will start with Sam.

Sam Royston: Yes, absolutely. There are some concerns about delivery that we have identified. One is a problem with what will happen if there are problems with the delivery of the Universal Credit. At the moment, you receive a package of several different benefits, which means that in some cases, if there is a problem with one of your benefits—for instance it stops being paid—other payments of other benefits can continue. I spoke to one Family Action service user just the other week who had her Housing Benefit stopped. It did affect other benefits at a later point, but initially, at least, other benefits carried on being paid. We’re very concerned that once you roll benefits together into one lump sum—so you are having your Housing Benefit, Council Tax Benefit, Child Tax Credit, Working Tax Credit, all paid together—there would be the risk that one benefit stopping would lead to all benefits stopping, leaving aside those that are currently outside the system, like child benefit and Disability Living Allowance. That would be absolutely catastrophic for families if they had all of their money or almost all of their money stopped. They could potentially be left with almost nothing to live on.

Other issues around that: we’ve also identified issues with whom the benefit is paid to. I know that a number of organisations, for instance Fran Bennett at the University of Oxford, have identified concerns about benefits not being paid to the main carer, and again, it’s to do with the whole of the Universal Credit being paid as one lump sum. If it’s paid, for instance, to the main earner, there’d be what is known as “wallet and purse issues”; that the money is not necessarily being kept or spent by the main carer—that is, intended to be spent on the child or children in the household—and that’s also a concern. Those were two key concerns we had.

Kate Green: Any other comments or concerns from other witnesses?

Emily Holzhausen: No, nothing. The appeals system really, just to build on Sam’s point, is absolutely critical and it’s not clear in the Paper. But we support what Sam has just said.

Q40 Kate Green: Do you have any comments on the proposal to move to monthly payments?

Sam Royston: Sorry, yes, that was another thing I had. Family Action work with a lot of people with quite severe mental health problems, and in many cases people have expressed problems to me already that
the payment periods are too infrequent, which can lead to budgeting problems, problems of people getting into debt, and that is often connected with budgeting problems created by mental health problems directly. We are concerned that the move to monthly payment periods under the Universal Credit would exacerbate these problems and lead to potentially worsening people’s problems of debt and things like that, problems with budgeting, and probably put extra pressure on Family Action service providers to help people with budgeting correctly in difficult times.

Jim Vine: In terms of the housing side of things, BSHF’s a housing research charity, and we are, I think, in the shadows, as you’ve indicated. There’s about one page on the whole of the housing component in the White Paper, which doesn’t provide a lot of guidance to work on. But on the actual payment periods of things, I think what would be important would be to retain the option where appropriate of having direct payment to landlords for vulnerable tenants in the private rented sector, and in the housing association sector as well, to retain the credit rating, so there’s the tenant-side protection and the viability of the organisations for the housing associations.

Q41 Kate Green: Can you see that that can be possible in the design of Universal Credit as we presently understand it?

Jim Vine: I think there’s a huge design issue still to be done. There’s a lot of complexity in getting that straightened out. The detail that we have on the housing component so far is very basic.

Q42 Kate Green: That leads me to my final question, Chair, which is picking up a point that Family Action made—in your submission, Sam—about firewalling the different components of the benefit. I wonder if each of you would like to comment on the potential advantages or disadvantages of things, I think you’re hinting at, but also on whether there isn’t then a danger that we contradict the objective of simplification?

Sam Royston: I think our key response to that would be that simplification is important, but there have to be overriding concerns, and I’d suggest that one of those overriding concerns would be concerns about people being left with nothing in circumstances where there’s a problem with their benefits. It does not seem necessarily to lead to tremendous problems. Having thought about the possibility of that question, I think that one possible response to that in terms of delivery would simply be to make sure that under the Universal Credit the conditions under which the benefits are paid are essentially kept separate within the computer system, so that there are your conditions for receipt of Housing Benefit or the housing component, there are conditions for receipt of the child-related components, and as long as the information is correct and up to date for those individual components, they would continue to be paid. So, for instance, if there was a problem getting birth certificates, the child component might stop for a while, but the housing component might continue. If there is a problem with working out the amount of rent, some problem with the landlord, the housing component might stop but the child component would continue. It’s very important to firewall them in that way. I don’t think it will necessarily add a great deal of complexity.

Kate Green: From the client’s point of view.

Sam Royston: From the client’s point of view.

Q43 Stephen Lloyd: This is directed to Carers UK. The White Paper is not clear on what changes to Carer’s Allowance might be under consideration. In your view, what changes to the Carer’s Allowance do you believe will be necessary to take account of the introduction of Universal Credit?

Emily Holzhausen: Thank you very much for asking that question, and carers themselves have been asking that question as well, having read the White Paper.

Stephen Lloyd: I have received numerous letters on that point. Carers themselves are asking what are the potential impacts on carers, and there are a number of issues. It’s obviously about the detail of reform, and I think the Government very fairly said about Carer’s Allowance, which I have to say would be an enormously retrograde step. Now having fought for the reform of Carer’s Allowance well, it actually a good opportunity to perhaps increase earnings disregards for carers and give them more opportunities within Universal Credit. We would certainly like that looked at. So if we move half of the carers on Carer’s Allowance into Universal Credit, what happens with the other half? The White Paper is not clear on that. We believe that they should stay outside of Universal Credit, because—

Emily Holzhausen: Yes, I’m sure you have. If I can just explain about Carer’s Allowance, it’s a non-means tested benefit and it’s incredibly important. It’s the only thing that carers really have in the system to recognise what they do: quite often giving up work to care for somebody that they love. What would currently happen with the system as we would see it is that about 255,000 carers currently get Income Support alongside Carer’s Allowance, and they would go into the Universal Credit, and we see that there are a number of advantages of that. There are certain caveats: for example, your earlier experts talked about earnings disregards, and it’s not clear where the earnings disregard for those carers would be in Universal Credit, and it’s actually a good opportunity to perhaps increase earnings disregards for carers and give them more opportunities within Universal Credit.

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Stephen Lloyd: I have received numerous letters on that point. Carers themselves are asking what are the potential impacts on carers, and there are a number of issues. It’s obviously about the detail of reform, and I think the Government very fairly said about Carer’s Allowance, which I have to say would be an enormously retrograde step. Now having fought for the reform of Carer’s Allowance well, it actually a good opportunity to perhaps increase earnings disregards for carers and give them more opportunities within Universal Credit. We would certainly like that looked at. So if we move half of the carers on Carer’s Allowance into Universal Credit, what happens with the other half? The White Paper is not clear on that. We believe that they should stay outside of Universal Credit, because—

Emily Holzhausen: Yes, I’m sure you have. If I can just explain about Carer’s Allowance, it’s a non-means tested benefit and it’s incredibly important. It’s the only thing that carers really have in the system to recognise what they do: quite often giving up work to care for somebody that they love. What would currently happen with the system as we would see it is that about 255,000 carers currently get Income Support alongside Carer’s Allowance, and they would go into the Universal Credit, and we see that there are a number of advantages of that. There are certain caveats: for example, your earlier experts talked about earnings disregards, and it’s not clear where the earnings disregard for those carers would be in Universal Credit, and it’s actually a good opportunity to perhaps increase earnings disregards for carers and give them more opportunities within Universal Credit.

Q45 Stephen Lloyd: This is directed to Carers UK. The White Paper is not clear on what changes to Carer’s Allowance might be under consideration. In your view, what changes to the Carer’s Allowance do you believe will be necessary to take account of the introduction of Universal Credit?
I’m sure you all get lots of letters from carers in your postbag about the level of Carer’s Allowance. We’re obviously very aware of the economic situation, but we do still think that that needs to be looked at, particularly with an ageing population.

Q44 Stephen Lloyd: To reiterate, from your perspective the key thing is that it should be kept out of the Universal Credit, because as soon as it goes into the Universal Credit, you are going to have issues around means-testing. The key thrust of the Carer’s Allowance, for obvious reasons that go around the table, is it is not means-tested. Then you mentioned a couple of areas of possible reform for Carer’s Allowance. If we maintain that it remains out of Universal Credit, are there any others, while you’re actually here, it would be useful to put on the record?

Emily Holzhausen: There are areas around the 21 hours’ study rule, so you can’t get Carer’s Allowance if you are studying for more than 21 hours, and that’s not studying in a classroom or a lecture room; it actually includes marked work as well. So the number of courses that you can take, particularly vocational courses, is very narrow.

Q45 Stephen Lloyd: And how long has that 21-hour rule been on the books? A long time.

Emily Holzhausen: A long time. Again, if we are looking at helping people into work, perhaps we should be looking at exemptions or perhaps changing that definition of what 21 hours of study actually is.

Stephen Lloyd: And would that 21 hours include, for instance, if I was a carer and was doing an Open University (OU) course?

Emily Holzhausen: Yes, quite potentially. The OU has been very good in trying to get flexible options for carers, but as I say, there are quite a few vocational courses that carers cannot attend, which seems a nonsense. You see lots of parents of disabled children wanting to get back into work but not able to because their skills are outdated and they cannot get that toe back in the labour market to upskill.

Q46 Stephen Lloyd: Thank you for that. Now if I could address this to all of you, please. The Government is considering what extra support may be needed for disabled people in Universal Credit, over and above the additional components and other benefits elsewhere in the system. What are your views on this? Sam?

Sam Royston: Sure. Under the current system there are a few different components that people can receive. The key one that will be affected by change, potentially, is the disability element of Working Tax Credit, because essentially they’re getting rid of Working Tax Credit and replacing it with a series of earnings disregards. Now one of our key points, and we hope that they will be taking this into account, because it’s very unclear in the White Paper, is that the disability element of Working Tax Credit is currently paid per individual with a disability, where most elements of tax credits are paid per household. Under the Universal Credit, again, in most cases it’s clearly specified that the series of disregards will be paid per household. It’s unclear whether the disability disregard, the disregard for disabled people, will be paid per household or per disabled person. So for the sake of households with more than one disabled person in them, we think it’s very important that that is replicated to ensure that people are getting that disregard per disabled person in the household.

Regarding the other disability elements, the disability premiums, we think that those need to be replicated within the Universal Credit system, but don’t think that should necessarily be too much of a problem. I hope not. Similarly, the disability elements of Child Tax Credit should also be replicated within the system. One other concern that we have that relates to the principles of the Universal Credit is that with changes to Disability Living Allowance (DLA) and Employment and Support Allowance (ESA) going on at the moment, we are concerned that increasing numbers of people may lose entitlement to the disability element of Working Tax Credit as they move into work. One thing that a number of the organisations working in this field have suggested is that, on top of the current work capability assessment, which assesses whether people should be entitled to out-of-work benefits on account of their disability or illness, there should be a disadvantage in moving into work test, which would be less strict, but take account of the fact that many people failing ESA medicals, many people being denied the Disability Living Allowance, still have a lot of disadvantage in moving into work, and a less strict test could help to give them a bit of a boost and help them to move into work, which is the key principle of the Universal Credit.

Stephen Lloyd: Presumably you put that submission into the DWP?

Sam Royston: We only started working on it as a section of groups of that interest the other week, so not yet, but we will.

Stephen Lloyd: Okay, I’m sure you will. Jim, do you want to add anything to that?

Jim Vine: On the Housing Benefit, or the housing element side, the June Budget last year extended the entitlement for Housing Benefit claimants with a disability and a non-resident carer, so they are entitled to funding for an extra bedroom. The White Paper is silent on that, but if that was ported across into the housing component of the Universal Credit, that would be welcome.

Emily Holzhausen: I just wanted to add, agreeing with Family Action’s position as well—it’s vital that they continue—that there’s a carer premium as well for the poorest carers to recognise the extra costs of caring. That is mentioned in Universal Credit—that it will continue—but we do really need to make sure that it continues.

Q47 Stephen Lloyd: Presumably, though, that would come under the aegis of wanting, from your position, to stay outside the Universal Credit, or can that slot in?

Emily Holzhausen: It slots in, it goes with the carers who currently receive Income Support, so it would go in, it would be part and parcel, but that again is a very important way of recognising some of the additional costs that the poorest carers have. So it needs to be kept.
Could I just add something else? There is also an opportunity to iron out a bit of an anomaly with the disability premiums and Carer’s Allowance. At the moment there’s only one of the premiums, the severe disability premium, where, if you claim it, the carer can’t then claim Carer’s Allowance and vice versa: if the carer claims Carer’s Allowance the disabled person can’t get the disability premium, and it is only one out of three where you have that anomaly. We advise families every day and it causes a lot of tension if you think, “I can’t get my own income because I really don’t want to detract from what my brother might get, even though I do help and support him.” So we would like to see that ironed out if at all possible.

Q48 Alex Cunningham: I’d like to go back to the key areas of reform. I have a quite heavy postbag from grandparent carers, and carers of people who have drugs and alcohol dependencies. I just wondered whether this is the opportunity now, as far as reform is concerned, to look again at how we should be supporting these people and at some of the barriers to the support that they actually don’t get.

Emily Holzhausen: We represent people who care for people with disabilities and chronic illnesses. But we work quite closely with Grandparents Plus, who have quite often advocated this, and there are quite a few areas where grandparents who don’t have legal parental responsibility find themselves in very straitened financial circumstances, and those families do need recognition within the system. As an organisation, we would say perhaps you need a different payment than Carer’s Allowance rather than just stretching it out. But there is absolutely a need and an opportunity, as you say, to look at plugging some of those gaps in the system.

Alex Cunningham: And drugs and alcohol dependencies?

Sam Royston: I was going to say, we have been doing some work recently with a group called the Kinship Care Alliance, a group of organisations concerned about kinship carers, including grandparents who take on care for children in often quite desperate circumstances—for instance when family members die—and not under the formal aegis as a foster carer, and the problems that they currently face in the benefit system. One of the points that we raised about the current reforms going ahead is that the welfare benefit cap limiting benefits to around £500 a week to out-of-work households could apply to households in that situation who are taking on children in often quite desperate circumstances—for instance when family members die—and not under the formal aegis as a foster carer, and the problems that they currently face in the benefit system. One of the points that we raised about the current reforms going ahead is that the welfare benefit cap limiting benefits to around £500 a week to out-of-work households could apply to households in that situation who are taking on children in often quite desperate circumstances—for instance when family members die—and not under the formal aegis as a foster carer, and the problems that they currently face in the benefit system.

Emily Holzhausen: We’d like it to be hugely simpler, and my apologies if we have not made that overarching argument. It is so important to families that we get this right, because the nature of calls to our helpline, for example, has changed quite significantly. We are receiving a lot of calls that are based on anxiety or calls where people are worried about what will happen. One of the difficulties that we have, because there isn’t an enormous amount of detail, is being able to reassure people and say, “This is how it is going to work”; “Yes, you will be affected”; or “We think you will be affected”; “Well, we think it will come in like this.” We need clarity very quickly. We have welcomed, certainly, a simpler system. Carers say that one of their frustrations that pushes them to breaking point is frustration with bureaucracy, and any of us around this table—I know your postbags will be full of people who are frustrated at having to fill in form after form after form—

Glenda Jackson: Yes, absolutely.

Emily Holzhausen:—the complexity, repeating information. It can only be to all of our benefit if people don’t have to do that. But of course that goes alongside our concern: the risk of transferring to a whole new system and designing a whole new system, where we need good reliable assessments, as you say, a good reliable computer and IT system, firewalling to make sure that people don’t lose all of their benefits. We do need a lot more layers of detail for people to be able to work and feel confident that it is going to work for some of our most vulnerable families.

Q50 Glenda Jackson: I am speaking off the top of my head here, but what would be useful for me when it comes to the point where one is actually questioned by Government on how they are going to implement these proposals, is for you to present to us, for example, when you speak of the bureaucracy, how many forms a family has to fill in to obtain what may be the basis benefit and then the passported benefit. These are the kinds of things we need to know, really, because this system is going to have to change, and it
would be how it could be simplified in that way that I would find very valuable to know.

Sam Royston: You are absolutely right; there are a huge number of forms and phone calls that people have to make. Just as an overview for you, as people move into work, progress in work, it will have an impact on their Housing Benefit, Council Tax Benefit, their tax credits. If they are moving into work, they need to move off out-of-work benefits. All of these different things will be affected by these transitions, and we really welcome, to echo what Emily was saying, that it does appear to be, for a lot of people, a simpler system. At the moment, Family Action clients come to us and they find it hugely difficult to make sure that they are claiming all of the benefits they are entitled to, and that they are keeping on top of the administration of them, particularly when they are suffering from mental health problems. We do welcome that it does look like it will be a simpler system. The exact details of that will need laying out.

Q51 Glenda Jackson: But how does it seem to you it’s going to be a simpler system? I can find nothing in what I have read from Government that makes the system simpler. You are still going to have to go through who’s entitled to what. You are still going to have to go through what people are excluded from. Sam Royston: Well, they are moving together a variety of different benefits, so the Housing Benefit and Council Tax Benefit, the out-of-work benefits such as Income Support and Jobseeker’s Allowance (JSA), and your tax credits will all become part of one unified benefit.

Q52 Glenda Jackson: Exactly, but the point is that is three separate areas. You have spoken about local authorities when it comes to Housing Benefit and Council Tax Benefit; you have spoken about HM Revenue and Customs (HMRC) when it comes to tax credit—what was the middle one?

Kate Green: Income Support.

Glenda Jackson: Which is Jobcentre Plus. There are three separate areas there. Suddenly the Government is saying, “We can just roll this into one nice neat ball and away we go.” I don’t know how it is going to happen, and I don’t know how it’s going to happen when people have, as you said, changes in their families that may come overnight. The flexibility that is going to make just an overview for you, for example, for a carer who has people with disabilities or mental health problems. How would you like to make it simple? This is what I am asking.

Sam Royston: As I understand it, they are moving the responsibilities for tax credits, for instance, over to DWP, so they will take over the responsibilities for those benefits, which will potentially make it a simpler system. That is what we mean. Also, it’s simpler in terms of the client’s perspective in working out how much they will be entitled to if they take on extra hours, because there is a single rather than a multiple taper rate that will set various different benefits being withdrawn at the same time. So instead of a withdrawal of your Housing Benefit and Council Tax Benefit and a withdrawal of your tax credits, you’ll just have one single withdrawal rate, which will make it easier potentially, in many circumstances, for people to work out how much better off they will be by taking on, for instance, an extra shift at work. That is one key area in which, for the client at least, it will potentially be simpler.

Q53 Chair: In terms of the disability premium, it will prove too difficult to put in a disability premium and so the temptation for the Government would be just to ignore it and not do it. But if they do decide to do it, what becomes the proxy to decide that you get a disability premium? At the moment it seems like DLA and ESA, but we know that with the reforms of both of those benefits there will be fewer people on DLA, fewer people getting ESA and therefore fewer people getting any kind of disability premium, and it’s a triple whammy. Some people who may have been on incapacity benefit for 20 years will suddenly find that all the benefits they have depended on have gone—not quite in one fell swoop, because it will happen over a two, three, four-year period, but it could be quite a huge impact on a family income.

Sam Royston: I think that there’s a huge problem with ESA, that people are failing their medical assessments, but the medical assessments are also being used when their Disability Living Allowance comes up for review, and as a result they’re having their DLA removed as well. That’s an enormous problem and relates obviously directly to what you’re talking about. The only thing I can think of to say about that is that they need to improve the work capability assessment for ESA, and they shouldn’t, in my opinion, at the moment, be using ESA medicals as evidence in assessing people’s entitlement to Disability Living Allowance, because the work capability assessment at the moment is insufficient to be clear about that.

Q54 Chair: But if we are not using ESA and we are not using DLA because people who are disabled do not qualify for either of those because of the changes, will there be another proxy for the disability premium, or will the disability premium just go, or do you think there’s a completely new measure that should be put in place? I think, Sam, you alluded to a slightly different test for disabled people to get the premiums.

Emily Holzhausen: I do think we have to consider the other changes going alongside this, like DLA, as you quite rightly said, because we would need to construct a new proxy test, otherwise we will see a gradual increase in the number of disabled people who won’t be getting additional funds to help with the costs of disability, and that is a big worry for us. Because it’s running alongside we don’t have an awful lot of detail yet around Disability Living Allowance, the levels that it’s going to be set at, the tests that are going to be required to really know how that will then impact on other parts of the system; for example, there are lots of questions around Carer’s Allowance and its links to DLA.

Q55 Glenda Jackson: Is the central point about that being missed? You’ve raised the issue of the definition; people being excluded from ESA and DLA on the medical assessment. Surely this is the issue. You should be putting in ideas of how that assessment can be far, far more accurate than it is at the moment.
We all, as MPs, have letters from constituents where they lodge an appeal and the appeal is upheld, and this is going to become more and more complicated.

Emily Holzhausen: We’re making many representations.

Glenda Jackson: Good.

Q56 Stephen Lloyd: I’ve brought this up with the Secretary of State in the Chamber, and a number of us brought it up with the DWP and Ministers when they came and gave evidence, and what they said is that they recognise that the work capability assessment is flawed, they have set up an independent panel where they’ve got, for instance, the chief executive of Mind—I have particular concerns about fluctuating conditions—and that panel is overseeing it and they are determinedly improving the work capability assessment. Fine. Now, I like what I hear from the Minister, but I can’t see an end on it. Then, Sam, you obviously say it’s still not working, so can you clarify for me that you don’t like the way it worked before and see that the Government take it on board and try to improve it, or do you still think it’s rubbish?

Sam Royston: The Harrington Review is ongoing, so I think that we’ll have much more detail, and they do actually implement to the work capability assessment. It does seem to have considerable problems with it at the moment. I’ve seen cases where people have made multiple suicide attempts and are getting no points for mental health problems. It is just not fair.

Chair: We’re getting a wee bit away from the Universal Credit, but the point is what’s going to be used as a proxy for the disability premiums, and what you’re saying is we don’t know and there could be problems, if they use the old proxies, which are the DLA and ESA, because they’re not as sensitive as previously.

Q57 Alex Cunningham: Looking at child care costs and passported benefits now. Lack of childcare remains a tremendous barrier to work. The White Paper suggests a number of possible approaches to child care support, the child care element, the Universal Credit, vouchers, additional disregards. Which, if any of these options, would provide the most effective incentives for claimants to find work?

I think it’s yours, Sam.

Sam Royston: We’ve had conversations with officials again about what these options are and asked them to lay them out in more detail, and they have given some more detail than is in the White Paper about what things they are considering. They set out three key options. One is a child care element, similar to the Working Tax Credit child care element. Another would be a child care disregard from Universal Credit, and the third option that they suggested was a fixed payment of help towards child care costs for anybody who receives child care, and that would be in their view much simpler, which is true, but would be disastrous. To deal with that third one, which I think the Government appears to be moving away from, the reason I think that would be a very poor option is that the families who receive that child care element would have no incentive to take on additional hours because they would get no additional help with child care as a result. So by taking on additional hours, an additional shift, and having to take additional help with child care, they would have to pay the full additional child care costs and lose out substantially.

The child care disregard appears very ungenerous. In a paper that Family Action wrote on this, we suggested that one possible solution would be to disregard child care costs from both the Universal Credit but also from income tax and national insurance, and that’s more generous but still has problems. In particular, the Government want flexibility, particularly at the moment, when economic circumstances are quite straitened, and there may be limited amounts of help with child care costs, potentially, and a child care disregard has no opportunity for adding to it, essentially; you’ve disregarded it, you can’t go anywhere.

That brings us on to the third option, which in our opinion appears to be the best and certainly seems to be the way that the Government are heading, which is the child care element, similar to the child care element in Working Tax Credit. However, there are problems with that as well. Their proposal seems to be to introduce a child care element akin to help with child care costs through the Working Tax Credit as will be at the point of introduction of Universal Credit. Help with child care costs is being reduced from 80% to 70% of child care costs, and so there will be significantly less help in that way through the Universal Credit, potentially. But there’s also another additional and very important factor. It’s hugely under-recognised at the moment that families don’t just receive help through the benefit system through the child care element of Working Tax Credit. Households on Housing Benefit and Council Tax Benefit also have their child care costs disregarded for those benefits, and as a result can get a substantial additional amount of help with child care costs through those benefits. They can at the moment have up to 97% of their child care costs paid, rather than 80%, because of that additional disregard. We have seen no plans to replicate that within the Universal Credit system, and in fact it would be very difficult to replicate that within the Universal Credit system.

Q58 Alex Cunningham: So you’re saying there are going to be considerable cuts?

Sam Royston: If they introduced it simply at a 70% child care element and no additional help, then it would be a considerable cut. I did a calculation that indicated, for a lone parent with two children, £100 rent and £20 council tax, with earnings of £15,000 a year, working 30 hours a week with no child care, they would be about £15 a week better off under the Universal Credit. For the same family with £200 a week of child care costs, they would be about £35 a week worse off under the Universal Credit. So it is a huge problem.

Q59 Alex Cunningham: So what needs to happen?

Sam Royston: Well, we have proposed a couple of things. We think that for a start they basically need to work out how much money is being spent on help
with child care costs through Housing Benefit and Council Tax Benefit, and they need to make sure that that money is fed into the Universal Credit system. So it’s not enough to just replicate that Working Tax Credit element. We think, hopefully, they should be increasing the child care element through the Universal Credit, and we think it needs to be at least 80%. If it’s 70%, an additional problem is that other calculations we have done suggest that for households with high child care costs, taking on an additional shift at the supermarket would face an effective marginal deduction rate not of the 76% that would be standard under the Universal Credit for taxpayers but, taking into account child care costs, could be over 100%. So, at the rate that they are proposing, some families could actually lose money by taking on additional work. That’s just not fair. So, it needs to be at least 80%, preferably higher.

One of the advantages for keeping costs down that we have talked about, given that they are obviously concerned about cutting costs, is an hours-based cap on help with child care costs, particularly because they are reducing help with child care costs down to—or planning to, it appears—families working under 16 hours, which we think is a good thing; it would help a lot of lone parents, for example. But if there’s just a simple cap on the total amount of child care costs that can be claimed for, as there is at the moment through Working Tax Credit, you could potentially get overuse of child care for people working very few hours with very high child care costs, which would be economically inefficient. We wonder whether there could be some form of hours-based cap introduced to child care costs, so that families working, as they work longer hours, would be entitled to higher payments of child care costs, potentially, and that would be one way of keeping that. But we do think that there should be a child care element of at least 80%.

Q60 Karen Bradley: The child care costs you’ve been talking about, and the child care element of the Working Tax Credit, is only the payment for formal child care, and it’s not helping particularly the low-income households where actually they are relying on family support, particularly grandparents, to help people to be able to go into work, and I just question whether people know—when you say it’s very low at the moment in proposals—or perhaps a higher earnings disregard might actually help more families because it would help those households where they are reliant on informal child care.

Sam Royston: In a way I think we don’t necessarily want to in all circumstances encourage informal child care. There are a lot of advantages for people taking on formal child care—the development issues for their children—but for households with informal child care, for instance, if they’ve got no child care costs, as I said, there are actually already advantages through the Universal Credit system. So if they actually don’t have child care costs because they’re just using informal child care, the system does appear to actually be, to an extent—for many families, at least—more generous than the current system. With the system of income disregards, as I gave in the lone parent case with no child care, they could be using informal child care; essentially, free child care through the lone parent’s mother, for instance. Many of those families do appear to be a bit better off than under the current system, so it is a real problem about where people are paying for child care.

Q61 Karen Bradley: Do they tend to be, in your experience, the very low-income households, or do they tend to be the more middle income?

Sam Royston: I don’t know; I wouldn’t really want to comment on that. I think it depends quite a lot on family ties; that is the really big thing. If people have coherent social networks of friends and family who can take on child care of their children, then they use them. That, I think, is the real distinction between people who are socially isolated and aren’t able to feed into those networks of informal child care, and people with supposed child care costs that could potentially be low or higher-income households.

Q62 Teresa Pearce: One of the major outgoings of anybody is their housing costs, and presently if you’re on benefits and you move into work you still get Housing Benefit depending on your level of pay, but if you are a homeowner you lose any of the benefit that you get towards your housing cost if you move into work, and it’s proposed that the Universal Credit might take this into account. Jim, I think it was in your report that you said, or the report said, that “adopting this would be a bold new form of support with housing costs”. What would you envisage?

Jim Vine: Across the piece I think it’s important to get the support with housing costs right. What you’re saying is that it’s a huge amount of people’s expenditure. There’s the inflexibility of moving, particularly in owner occupation, the social and economic effects that are incurred if unnecessary moves happen. So, if you want to talk first about owner occupation, the current form of support with mortgage interest is not very compatible with the Universal Credit. It’s hours based, rather than smoothly tapered, there are time limits at the beginning and end for how long it can be claimed, and it’s at a standard interest rate rather than reflecting the actual expenditure of the household, so it doesn’t match into that model particularly well. I don’t think any of those points themselves are inherently insoluble, but it might be expensive to do to bring it directly within Universal Credit. What we talked about in our paper was a model called SHOP, which was first developed by some academics working for the Joseph Rowntree Foundation. SHOP is the Sustainable Home Ownership Partnership. Basically speaking that is a form of mortgage protection insurance, and where the partnership part comes in is that it is 50% funded by the borrower, and 25% each by the state and by the lenders. This resolves some of the issues. It’s quite a substantial change from the current situation, but it probably provides a more affordable means of providing a better safety net for homeowners than is currently provided by support with mortgage interest (SMI), although it doesn’t necessarily address all of the issues, and I think probably what we’d urge is that Government should fully cost out the two options of...
either making a form of SMI that’s properly compatible with Universal Credit, or moving over to the SHOP model and properly assessing all of the benefits, because we do not have the data to do that modelling that hopefully Government would have access to.

Q63 Teresa Pearce: How hopeful are you that people who are homeowners will be looked at fairly in this?

Jim Vine: We’d certainly welcome the statements that are contained within the White Paper that say they are going to hang on to and lose their support under the Universal Credit, if it was done in a method that provided a decent level of support. Because as well as providing that support to the individual homeowners, I think there’s a good case from the perspective of the state; having a decent safety net for homeowners has very beneficial effects in terms of moderating house price crashes. If it’s very simple and you end up with a lot more reposessions in recession and things like that, which causes larger fluctuations in house prices, which has negative economic effects. So there are benefits to both sides. I’m relatively neutral about the exact model that you use to provide that safety net.

Q64 Teresa Pearce: Moving on generally about the issue of housing and the Universal Credit, as we’ve heard there’s still a lot of detail required in all parts of Universal Credit, but I think we need more detail on housing in particular. One of the things that concerns me is that, if you go to a centralised credit, at the moment Housing Benefit is paid through local authorities, so there is a lot of local knowledge and expertise. And we will lose that knowledge and expertise. Do you think that would be a problem?

Jim Vine: On the rental side, where the Housing Benefit comes in and particularly the private rented sector—I believe it’s a phrase in the White Paper—certainly the desire would be to cover reasonable housing costs for people. But that isn’t necessarily the same as providing them with unlimited support, or even necessarily their exact support, but it be the exact cost that they’re paying. So, in response I suppose to the question earlier about where we can bring some additional simplicity to this system—simultaneously working around some of that loss of local knowledge—it would be to look at a system whereby you have a series of flat rates based on household composition in each local area. This is a system that they have in the Netherlands. What that provides, in terms of simplicity for the claimants, is that you know your household composition, so you can go to a table and look up your local area. There might be five or 10 different household sizes or shapes that are allowed, but it’s very simple then to look up, rather than current Housing Benefit calculations, which is one of these forms that runs to pages and pages of information that you have to feed in. So it’s perhaps a way of working around some of those issues of knowing all of the details in a local area. Broadening that out about how you might then set some of these rent levels, there is a desire within the Universal Credit to broadly make a third of the market accessible to claimants, which doesn’t seem unreasonable, but I think there’s probably a bit more

Q65 Chair: Is there a case, if you want simplicity and you want it to fit in with Universal Credit, that the DWP itself should take over the administration of Housing Benefit and take it completely out of the hands of local authorities?

Jim Vine: I think that, yes, some of that would be possible. I think where you might have difficulties is if you port over a system from the current Housing Benefit system where you need to check rent levels, see people’s rent books or contracts, things like that. That is going to be much harder to administer through a central system. But if you did go to a system of more flat rates being paid to people, then potentially that is quite possible. There’d be some edge cases, I think, where you’d want to carefully consider how you handle the data for non-traditional housing types: gypsy and traveller caravan sites, perhaps hostel accommodation, and in those cases it would make sense to think about whether you want some sort of knowledge system within Universal Credit to track those. They would require special treatment, but that could potentially move to the centre as well.

Q66 Glenda Jackson: Can I just ask you a question on mortgage rates before I move on to that? There are implications with the Universal Credit, for example, where people are excluded from certain benefits if they have savings of £16,000, and if one looks at other aspects in the benefit system, where the ownership of a house is deemed to be money in the bank, and when looking at social care and things like that, there are implications, are there not, in what is being proposed there? The other imponderable is interest rates. At the moment, interest rates are very low, but we’re being told that they are going to go up over time, so the variations for mortgages in that sense are on a par,
it seems to me, with some of the changes that the Government is proposing as far as Housing Benefit is concerned. The vagaries of the market; I think that’s what I mean.

Jim Vine: Support with mortgage interest—I think it was ISMI at the time—I think dates back over 10 years. They used to pay that support based on actual mortgage rates; the rate that an individual claimant was paying. I think it’s 10 or even 15 years ago that they moved that over to paying a flat rate. The issue was it was very difficult to keep track of people’s mortgage rates if they were on a variable rate and they had to re-notify. I think some of the ways around that would be to say to the lenders, “This support is being provided by the state, so it’s pretty cast iron, so this is the rate that we are going to pay,” and you accept that. At the moment they pay a flat rate, but if the borrower’s rate is higher than that, the borrower’s losing out. Conversely, if the borrower’s rate is below that, you are actually paying off some of their capital, as well as making the interest payments. So yes, the market is important.

Q67 Glenda Jackson: Thank you. This is actually for Family Action first, and BSF. They’ve specifically left Council Tax Benefit out of Universal Credit, and you’ve both stated there’s a risk that local authorities could set up schemes in ways that risk undermining Universal Credit. Could you expand on that for us?

Sam Royston: The Government seems, at least to us, on the face of it to have two apparently contradictory aims. One is simplifying the system and giving clear work incentives, and the other is localising the system, in particular in terms of Council Tax Benefit. The key aim of the Universal Credit, as I alluded to earlier, is that you have a single withdrawal rate that helps make it much easier for clients to understand clearly how much they’re going to lose if they take on additional hours. If you remove Council Tax Benefit from the Universal Credit system, there will need to be some way of means testing it, assuming they’re not giving full Council Tax Benefit to everybody. If you means-test it separately, outside of the Universal Credit, you’re going to introduce a second withdrawal rate, potentially, which will lead to both additional tapering to the second withdrawal rate. If you remove Council Tax Benefit from the Universal Credit system, there will need to be some way of means testing it, assuming they’re not giving full Council Tax Benefit to everybody. If you means-test it separately, outside of the Universal Credit, you’re going to introduce a second withdrawal rate, potentially, which will lead to both additional complexity in understanding how the Universal Credit and the Council Tax Benefit are being withdrawn together, but also could reduce work incentives, because you’d not only have your Universal Credit withdrawn, but you’d also be having your Council Tax Benefit withdrawn separately. So it undermines those key intentions of the Universal Credit system, potentially, and we argue that it’s very important that Council Tax Benefit should be included in the Universal Credit, along with Housing Benefit and other benefits, to ensure that it does avoid that second tapering to the second withdrawal rate.

Q68 Glenda Jackson: So you are actually arguing, as you did on another issue, for proxy, as far as council tax is concerned?

Sam Royston: I’m arguing that Council Tax Benefit should remain as it is: a means tested benefit but integrated along with Housing Benefit into the Universal Credit system, so it’s withdrawn as your income increases, but as part of the Universal Credit.

Q69 Glenda Jackson: And how is that going to equate with the variability of both of those? Nationally, I’m speaking.

Sam Royston: They seem fairly happy to have variable housing costs integrated into the Universal Credit, so it doesn’t seem a huge problem.

Glenda Jackson: Well, if they’re low they do, they’re not happy if they’re high.

Sam Royston: If they’re high, you’d still receive that additional element within your Universal Credit; it just affects the amount of disregard you get, because they don’t want your disregard to reduce below a certain level. So it seems that they’re happy doing that with housing, with rents. I don’t see why they shouldn’t be able to take into account variability in the Council Tax Benefit.

Q70 Glenda Jackson: Would you essentially still leave it with local authorities?

Sam Royston: I’m not sure that that’s the key problem. I think the key issue is about delivery of the Universal Credit as an integrated benefit.

Q71 Glenda Jackson: So you’d just automatically include that in your assessment of claimants?

Sam Royston: Exactly.

Jim Vine: I think the description of the problem is entirely accurate: about how you can have these different withdrawal rates stacking up one atop the other and undermining the key objectives. I suppose I saw two alternatives, as Sam said: you can take it within the Universal Credit and then just apply the same taper, and that would be fine; the alternative is that you localise it, but you give local authorities a very strict framework within which they have to work, and in some way the specification that you give to local authorities is such that it doesn’t create that additional tapering. Maybe they can’t withdraw it until they get past the taper, or you put limits on it or whatever it might be. I think that’s theoretically possible, but I don’t see much advantage to doing that over and above just taking it within the Universal Credit, which would be simpler.

Chair: As you heard, the bell has gone and so our time is up. We did have a couple of questions on conditionality and sanctions and things. I think from your evidence there are still a lot of questions that still need answers, and I think Glenda’s frustration was the fact that nobody seems to have the answers for some of those questions. I think she’s looking to you to come up with some of them, but it’s obviously for the Government as well to address some of these very thorny issues, and we look forward to that. But thank you very much for coming along today. It was very useful and very interesting, and thank you very much for your help this morning.
Wednesday 9 February 2011

Members present:

Dame Anne Begg (Chair)
Harriett Baldwin
Andrew Bingham
Karen Bradley
Alex Cunningham
Kate Green
Mr Oliver Heald
Glenda Jackson
Brandon Lewis
Stephen Lloyd
Teresa Pearce

Examination of Witnesses


Chair: On behalf of the Committee, may I thank you for coming along this morning, Secretary of State? I know that it is a busy time for you and your Department—you keep throwing things at this Committee. We are very pleased that you could be here this morning. We obviously know who you are, but perhaps your colleagues could introduce themselves for the record.

Terry Moran: I am Terry Moran. I am the Director General and Senior Responsible Owner for the implementation of Universal Credit.

Neil Couling: I am Neil Couling. I’m Director of Benefit Strategy at the DWP, and I have policy responsibility for Universal Credit.

Q72 Chair: I shall start with a very general question—we have quite a lot of more specific ones. The principle of Universal Credit has been broadly welcomed, and many people have welcomed the whole idea of a simplification of the benefit system. Is there not a danger that because there is that broad consensus around the thrust of these reforms, the critical analysis and some of the potential pitfalls of the legislation might be missed?

Mr Duncan Smith: First, may I thank you for extending the invitation to us today? It is helpful to us to go through this process—that may in part be the answer to your question—prior to the legislation, which I can’t give you dates for at the moment but is imminent.

In answer to your question, that might have been the case had we not done the work over the past few years as well. The principles of this, under the previous Centre for Social Justice paper that was put forward, were pretty heavily tested by a lot of other think-tanks and groups. We had a lot of commentary from voluntary sector organisations representative of various groups, such as Gingerbread, at the time. They all put in commentary about what they thought at the time and engaged quite heavily. Since I came to the Department, having announced that we were going to start this, I think you will find that pretty well throughout, in everything, we are consulting pretty much every single group possible and testing the responses on that. Although I may not be able specifically to talk about some of the decisions today, I can guarantee you that we are engaged with every single group and trying to listen to what they think might work or might not work.

On the other side of that, too, given the nature of this, accepting it in principle is one thing, but the other parties—specifically at this point the Opposition—will want to make, and have already made it clear to us in discussions that they will want to make, certain points about where they think the balance may be right or wrong. I welcome that, because that is the nature of this. I hope the key thing is that we debate as much of the structure as possible, but don’t get too hung up on some of the particular details, which ultimately can vary and change. That is a point that I want to make later on.

I notice in some of your discussions that people have settled quite heavily on things like, for example, the taper. I’m sure you are going to come to that later on, but the basic principle is that that simplifies even the nature of the political debate, because for the first time ever you’ll end up being able to debate something like you debate taxation, which is what happens to benefits. This is what happens to benefits; it is very simple and now we can see very transparently whether a Government are fulfilling their pledges or not, rather than hiding in a whole mess of detail. So “I hope not“ is the answer, but of course that is up to those who want to have a look at this.

Chair: I think much of the evidence that we’ve received has said that the devil will be in the detail, and it’s that detail we want to explore.

Q73 Stephen Lloyd: Good morning, Secretary of State. A number of witnesses have expressed concern over the impact of financial sanctions where children are involved, where the parent has failed to meet the terms and conditionality. How do the Government plan to protect vulnerable children in this situation from the effects of the financial hardship arising from the inappropriate conditionality behaviour of the parent or parents?

Mr Duncan Smith: First, some of the debate has made it sound as though we’ve never had conditionality before and this is a new arrival. I know, obviously, that the Committee does not accept that, but the reality is that outside sometimes it is as though we have just introduced conditionality into benefits. Conditionality has been in benefits over the last two Governments. The principles behind that
conditionality have not really changed, and won’t change as we go forward. The reality of how we want to protect children and dependants continues to follow the same principles as existed under the previous Government. We are not really going to change those. If I can just remind you of what that amounts to, those things that are related to children are not within the sanctions regime. For example, Child Benefit would not be caught up, and other child-related matters such as housing, Council Tax Benefit and disability premia will not be caught up in the sanctioning process. They already aren’t, and they won’t be; there is no plan for that to change. Things that are really caught up will be things like Jobseeker’s Allowance (JSA) and Employment and Support Allowance (ESA).

However, what is important to note on this is that what is changing at the moment is better. That is to say that, although we are extending some of the lengths of the sanctions, we are also making things much clearer. Right now, there is a problem that exists for sanctions, and this came after going around a number of Jobcentres and talking to various staff who said that, in truth, most people don’t understand the sanctions regime from the word go. They only ever understand it when they are told that they will be sanctioned in 26 weeks depending on what the severity of their misdemeanour or failure to co-operate allows the staff to introduce. They said that it is very difficult, therefore, to set the sanctions regime as a deterrent to such action, because they don’t believe that it’s going to happen until it happens. The point was that if they could have a clearer regime so that, from day one, people understood what would happen if certain tripwires were crossed—things that they failed to do—then that would have a much better effect. They all believed that, ultimately, they would sanction fewer people, because those people would understand that they were heading for that at a very early stage. So the person interviewing can actually look at the page in the White Paper that deals with the chart, it is quite clear and explicit there that certain failures to do certain things will bring certain results in different categories. It’s very easy for them to sit down with somebody and say, “I draw your attention to this factor. Right now, you are here, but if you don’t comply with this, this will happen. Be in no doubt; that is exactly what will happen.” So, yes, we will take your point, and we will take it away and make sure that we find some mechanism that will ensure that Jobcentre staff are clear to everybody from the outset that this will happen. Once they do that, I genuinely believe that we will actually end up sanctioning fewer people, because I don’t know of anybody who really wants to get to that point. I was in a Jobcentre the other day, and they were saying to me that it’s a shock when they get hit by the sanction. It has quite a salutary effect on them at that point. So the point is that we need them to arrive at that mental point before the money is withdrawn.


To be fair, however, it is they who have driven us in this direction. It is the staff’s comments to us that have actually centred us on this. They have basically pointed out what they thought the weaknesses were in the present regime. This is not a party political point, because it has existed over two Governments. Their point is that we need to let them know very clearly what will happen if they fail to do certain things. In other words, if you look at the page in the White Paper that deals with the chart, it is quite clear and explicit there that certain failures to do certain things will bring certain results in different categories. It’s very easy for them to sit down with somebody and say, “I draw your attention to this factor. Right now, you are here, but if you don’t comply with this, this will happen. Be in no doubt; that is exactly what will happen.” So, yes, I will take your point, and we will take it away and make sure that we find some mechanism that will ensure that Jobcentre staff are clear to everybody from the outset that this will happen. Once they do that, I genuinely believe that we will actually end up sanctioning fewer people, because I don’t know of anybody who really wants to get to that point. I was in a Jobcentre the other day, and they were saying to me that it’s a shock when they get hit by the sanction. It has quite a salutary effect on them at that point. So the point is that we need them to arrive at that mental point before the money is withdrawn. They now know that this is going to happen. Jobcentre staff will need to explain to them the costing level of what it will do to them.

Q75 Stephen Lloyd: My next question, which, again, has come up from a number of concerned groups, is: how will carers be identified for the purposes of the conditionality regime?

Mr Duncan Smith: It will certainly be the job of staff to make sure that they understand fully the nature of what the individual in front of them is engaged in, what their personal details are, whether they will be involved in caring and whether they are parents and so on. That will be very clear at the time, so when they arrive at the point when they can define out those elements that should not be brought into the sanctions process, they will also be dealing with them as individuals and looking ahead of them and deciding whether a personal problem is causing the difficulties. What I am after with the Jobcentre regime is that we do not have a two-dimensional process that just says, “Wait, wait and wait and it arrives.” It is really important that Jobcentre staff are much more engaged early on in understanding the nature of the individual and what is happening to them. If, for example, it is clear that this sanction is in process—they still have
some scope on it with regard to the individuals—and they understand that there is a particular problem with an individual, they should look again. For example, there may be a mental health problem. They should then be looking again at whether the individual should be on Jobseeker’s Allowance at all, and whether there ought to be another assessment of them and a move to another benefit system such as Employment and Support Allowance, a work-related activity group or a support group. In other words, we are asking them to be proactive at looking at the individual in front of them and figuring out whether it is just willfulness or ignorance or whether some other condition is causing them a problem.

As I said earlier, issues of children and their support are not sucked into that, and there is still scope to give discretionary payments in the course of that sanctions process, which will exist after we introduce the new sanctions process. If they are hitting real hardship, Jobcentre staff have the scope to give them discretionary payments.

Q76 Alex Cunningham: Do you agree with Carer Watch that, as a society, it needs carers identified as a group so that resources can be targeted correctly in the future?

Mr Duncan Smith: I will be honest with you. I am not altogether certain that we do not identify carers quite clearly. When I looked at it, I was not quite certain what it was intending we should do that we do not already do. Perhaps my colleagues can tell me about something that I have missed.

Neil Couling: The definition of caring within social security is very clear. It is looking after someone for more than 35 hours a week, who is in receipt of the higher or middle-rate elements of Disability Living Allowance (DLA). That is the qualifying condition for the carer premium. It is the qualifying condition for the Carer’s Allowance.

Q77 Alex Cunningham: So you are satisfied that they are properly identified and properly covered?

Mr Duncan Smith: That is really my point. I read it, and I was not certain what they wanted us to do more that would have materially altered it for the better. I was not quite certain. I think that we do identify them. The key question is, do we identify them? That is the issue. For the most part, we do. There is a balance that is dependent hugely on whether the individual in front of you is declaring themselves correctly and the matter therefore does require probing sometimes. One of the things that I want Jobcentre staff to do is to be more proactive as we head towards the Work Programme as well, so we identify people who might need to go on the Work Programme early, who have particular conditions so that we do not wait for them to reach the 12-month period.

Q78 Chair: In terms of identifying groups, you are still using the old benefit titles, Jobseeker’s Allowance and JSA claimants, but under Universal Credit surely some of those distinctions will disappear. If they do disappear, how will Jobcentre Plus be able to identify different claimants from the different groups, because each of them will have different sanctions regimes that apply to them?

Mr Duncan Smith: You must remember that they still qualify within the Universal Credit under a number of different scales, so it is not as though you have only one qualification. A number of elements make up the final payment towards the Universal Credit. You will still identify people by the nature of their requirements, prior to their final point of payment. Ultimately, it is the simplification of the amount that they receive and have taken away from them which is the key to Universal Credit.

Q79 Chair: But at present there are some advantages in being on one benefit as opposed to another. Some individuals could come through the JSA route, the ESA route, the Incapacity Benefit (IB) route or a carer’s route, but they end up with the same amount of money. Sometimes, the way in which they come on to the benefit system will determine what rate they end up with and which various sanctions might apply to them. Will that not be even more blurred under Universal Credit because there will not be any more money in the system necessarily for them because of the way in which the withdrawal rate works? In fact it is a single working-age benefit?

Mr Duncan Smith: I will bring the others in on this one, but my view is that it will actually be better. It will be at one place and they will have everything assessed at the same time so there will be a much clearer understanding of what they need. At the moment they are forced to do a lot of chopping and changing—playing off different systems—because, in essence, it is difficult for them to understand the net effect of their position and claims. We think that the Universal Credit will make that much simpler, so that one process of arriving at the Universal Credit will be properly evaluated.

Q80 Chair: But if the conditionality is different, depending on the route that brings people on to Universal Credit, they will have to be labelled in some way to ensure that the conditionality does not apply to a family with small children because the mother is a lone parent and not in work.

Mr Duncan Smith: We will identify that at the time much more clearly than we do at the moment.

Neil Couling: Essentially, you are talking about conditions of entitlement to Universal Credit. Under the proposals we are bringing forward in the Welfare Reform Bill, there are four basic conditions of entitlement: that somebody is incapable of work on grounds of sickness or disability; that they are unemployed; that they have caring responsibilities; or that they are a lone parent with children under five. The conditionality regime flows from the conditions of entitlement that you have established. Universal Credit creates a common system of rules, entitlements, tapers and so on, that flow from that. It is about entry points into the system, deciding which conditionality regime applies and applying that conditionality regime.

Mr Duncan Smith: That is my point. It is easier at that point, because it happens all at the one point. You
are not relying on them to chase around after the various benefits.

**Terry Moran:** I will say just one thing, which links to the earlier conversation about conditions and sanctions. At the point at which somebody enters the new system, we envisage that we will gather some information from the individual. They won’t be entering the system labelled, as people are today, by the products that they have previously received. Through that intervention at the very beginning of any new claim, we will understand, as Neil has identified, which classification that person falls into.

For those that are subject to some form of conditionality, the Bill will set out a form of claimant commitment, which will explicitly state what is expected in return. That is in response, as the Secretary of State has said, to what Jobcentre Plus staff have said about their customers sometimes not knowing what is expected of them in such circumstances. It will now be far clearer at the very beginning of this entitlement than it has ever been before.

**Mr Duncan Smith:** The advisers will have scope to do more personalising of the conditionality, too. So they sign the claimant’s commitment, and from there the jobseekers can ensure that the support that they need and the conditionality are still tailored within that context.

**Q81 Chair:** Will the carer’s question be asked at that initial interview? I think that would help.

**Terry Moran:** I can’t conceive that it will not be part of it. The carer’s question will have first been asked in the online application that we are envisaging for a lot of people.

**Mr Duncan Smith:** We will take note of your concern on this. It is useful to us, and we will ensure that that is, in essence, one of the key questions that are asked. We are very happy to listen to what you are saying.

**Chair:** I will bring in Kate, and then Glenda.

**Q82 Kate Green:** I will pursue the carer’s question now, if I may, Anne. I know it is coming up later, but I want to pursue it now. Secretary of State, you have said that Carer’s Allowance will be outside the Universal Credit. So at this point we are identifying a group of people who are not, as I understand it, being covered.

**Mr Duncan Smith:** First of all, I can’t tell you what decisions are being made, because we are ahead of the Bill. We have listened carefully to all the carers’ groups, and I can’t publicly state at the moment what decision we have arrived at on whether Carer’s Allowance is taken in. Even if we didn’t take it in, we would still want to know whether the claimant had caring responsibilities, because they might affect other aspects.

If concern is being raised that we need to be certain that the question is asked, I am happy and content that questions will be asked about caring responsibilities at the first interview. We will make sure that is very clear, if that is the Committee’s concern.

**Q83 Kate Green:** I suppose we are concerned that you are trying to undertake a process whereby some carers could fall within the ambit of Universal Credit—potentially all carers, given that you cannot tell us at the moment whether Carer’s Allowance might bring those people in. Are you considering the possibility that carers might be subject to means-testing?

**Mr Duncan Smith:** In what sense?

**Kate Green:** Carers that might come within the ambit of the new benefit.

**Mr Duncan Smith:** No. You are probing me on whether we will put Carer’s Allowance into the Universal Credit.

**Kate Green:** Exactly.

**Mr Duncan Smith:** With respect, wonderful as it is to answer your questions always in full, Ms Green, you will forgive me if I slightly avoid that answer at this point, for reasons that will no doubt become clear to you and when. I promise the Committee that before we finally publish the Bill, we will let the Committee know what those decisions are on the things that come in or out. It is difficult for me to make any statement to the Committee today.

**Q84 Chair:** When are we expecting the Bill to be published?

**Mr Duncan Smith:** Again, we are in the hands of the House authorities on this matter. As you know, some of your colleagues in the other place have not helped us in that regard, but we will publish as soon as possible. We are pretty well ready, give or take a few tweaks here and there. I am hoping, as I said to you privately the other day, that the Bill will be ready for Second Reading by the end of the month, but the First Reading is dependent on what the business of the House allows us to do. It will be within that scope, I would hope, but please do not take that for granted, because I could be in real trouble with the authorities.

**Q85 Glenda Jackson:** My concern is on the definition of a benefit claimant, given the sanctions divisions. There are people who fall into more than one category. I will give you an example of a constituent of mine. She has two children, one is of school age and the other is yet to be of school age. She is on Jobseeker’s Allowance and cares for an elderly relative who does not live with her. There are complexities there. My first question is: are you considering that, in real life, people do not fall into these nice, neat categories?

My other concern is that you are consistently saying that it will be the staff in Jobcentre Plus who are, in essence, the deciders—they are the decision makers. We know that the staff of Jobcentre Plus will be reduced. They will be working with a much larger group of people, because a whole new raft of people will be coming into this new system. This idea that they will explore the realities of an individual claimant’s life seems to be a time-consuming process. It cannot be done in 10 minutes. Have you any idea of how long that process will be, and how long people
may have to wait before they go through it and know whether they may justifiably claim any benefit?

Mr Duncan Smith: Do you want to take that up, Terry, and I’ll come back on it in a minute!

Terry Moran: We are some considerable way off understanding what, when and the timing of those things. We expect, in terms of setting this out, that for those who can, some of the information will be provided by them through online support. For those who can’t, it will be available through other means. For example, we will gather some evidence, which the customer will give us, to help us understand what our first conversation will be with them when they come to claim Universal Credit.

Your point about not being defined by product is very important. One of the issues with the current system is that not every person in receipt of the same benefit presents the same issue. Through the Universal Credit interview at the very beginning, we would expect to understand where those issues are different, what the issues are that we would hope to set out in the claimant commitment with that person, and, where any conditionality needs are set out, make sure that that is clear, recognising that person’s personal circumstances. If they are a carer, it may impact the nature of any conditionality if any.

Mr Duncan Smith: May I also make a point in answer to your question, which I hope helps? The present system causes more problems to the advisers, because of its complexity and the fact that they spend a lot of time trying to figure out with each claimant—or customer, as they are called in the Department—exactly what they are eligible for, and what results their going to work will have on that eligibility. My last Permanent Secretary spent some time in one of the Jobcentres. He sat behind one of these advisers when they were trying to help a lone parent, who had been working for 16 hours but had been offered work for two or three hours more. The adviser spent 45 minutes with her trying to figure out whether she was better or worse off, because of the very complex nature of what would happen, or what would have happened if she had failed to go to work and had lost her job. It took him a long time to do that.

We believe that with the Universal Credit, because everything is being brought into one place, the assessment will be much simpler to make at the beginning. It will save advisers some time, which most of those we have talked to accept. It will also give them a bit more time to get closer to the individual to figure out whether there are any nuanced elements that they should have been spotting. That is my point about deciding, at that stage, whether someone, frankly, should not be within that realm and should be better off going straight to the Work Programme, which would give them much more tailored support. That allows advisers scope, because it will give them more time—I don’t think there is anything I’ve missed.

Q86 Glenda Jackson: But with all due respect, how nuanced is the internet? I appreciate your answer, but you seem to be making big assumptions. In my constituency, for example, accessibility to the internet will be dramatically and drastically reduced. For a sizeable majority of the claimant pool, English is a second language. So, I am not sure that the system will be as easy to use as you are presenting. I understand that it will be so for new claimants, but people who are already in the benefit system are used to the individual pieces of what they may claim. Suddenly they will be told that there is a whole new system. You are not really considering the realities of human behaviour. I go back to the point that, just as this is a learning process for claimants, it is also a learning process for the staff of Jobcentre Plus.

Mr Duncan Smith: One point, then I shall let Terry come back on the details. On the computer side, a significant majority of tax credit claimants use the internet. 80% to 90% are online, and 85% of those do most of their claiming online. So a large number of people are reasonably computer-literate; of course, there are some who are not. Secondly, I fully recognise that as we change the system, people will have to be brought to understand it. That is why we are introducing the process more slowly than might otherwise have been the case. Bear in mind, the change will not happen overnight; it will happen over five or so years. So people will be brought to it and therefore there will be time for new claimants to have the new system explained.

Terry Moran: Just a couple of points, if I may. If I conveyed any message to suggest that the change is easy, that was not my intention. It is one of the most challenging things that we will embark on. We are already doing things to help inform that process in terms of understanding the people and the issues that will arise. We are holding focus groups with lots of different customer groups—I attended one two weeks ago with lone parents, and following that there was one with disabled people and people with mental health issues—to talk about their reactions to the system and what it would take to help them engage with us in the ways in which we want to work in future.

Both groups came up with very different views about using technology online. The first group didn’t think it was possible, because they had fears about it, which I think we can rationally help them think through. Others wanted to do it, because they preferred it to talking to someone, for different reasons.

We will continue gaining insight, and we are several years away from starting the system. We are talking to our customers today about what will help them help us do the job in different, more effective ways. That is really important for new and existing customers. For existing customers we have already identified, even in this Spending Review, the importance of ensuring that we talk through the issues that will arise for people who will transition from their existing benefit or credits into the new Universal Credit.

At the moment, we have estimated—this is based on some evidence, but is not necessarily entirely reliable—that we will need an hour with every 1

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1 Around 80% to 90% of Working and Child Tax Credits recipients use the internet. Around 65% to 70% of working-age DWP customers use the internet, the majority (around 85%) of these accessing the internet at home. The numbers are broadly similar for Housing and Council Tax Benefit recipients, in part due to the overlap between these customer bases.
individual to ensure that we have helped them understand what the issues are in making the transition. That is broadly for some 40% of the existing case load. Whether that estimate is fair, real or not, we will know over time through the insight that we are taking forward. Mr Duncan Smith: Bear in mind, with respect, the present system is a pretty near nightmare to negotiate for most of the same people you are referring to, because of its very complexity. They have two areas—HM Revenue and Customs (HMRC) and us—to negotiate their way through. They have to report their own changes to two separate centres—that will all change; they will have one point of contact. That process does at least lock them to one place for all their information, so they do not constantly have to go to a number of different places. We accept that we have more work to do, but that is exactly why we have put the timetables in place.

Glenda Jackson: I appreciate that, and it is to be welcomed, but—

Chair: We had better move on.

Q87 Andrew Bingham: Just to take you back to something you said a few moments ago, this is complicated, but over five years which I think is welcome as it gives people time to adjust. £2 billion has been allocated over the Spending Review to cover the costs of this, and we are interested in how that was calculated and what it includes, but are there likely to be any costs beyond 2014–15—the five years after the Spending Review?

Mr Duncan Smith: First of all, may I say that the money you see is the Spending Review money? That is for the elements that are relevant to the Spending Review, which is pretty much the bit running into it and then the first two years of the change. However, there are another three years following that in another Spending Review, so clearly, this covers only the Spending Review monies.

When we publish the Bill, we will be much clearer about what we believe to be the costs running along the way. Of course, a lot of the costs inherent in the Universal Credit are due to the decision we took to cash-protect people on the point of change, which is almost unique in that sense, but we were quite clear that breaks through those caring responsibilities, so they will have one point of contact. That may also partly answer Ms Jackson’s question; we give people time to understand what the change means to them without their worrying about the fact that at this particular point, they have to get it right first time, because they suddenly may have a problem over money. I know that you’ll come back to that in a second, but that was the point about the money, so we are clear about that.

Q88 Teresa Pearce: To go back to what was said about Jobcentre Plus, at the moment most people’s experience of Jobcentre Plus is of a process—people are processed through it. You seem to be saying that the skills needed in future for that initial interview will be quite different—soft skills, involving teasing out information from people, not simply taking things at face value, and understanding the whole person. What sort of training will you put in place? Will you employ different people? Will you train people? What is in place for Jobcentre staff? I think it is a very different skill set.

Mr Duncan Smith: I know you’re probably short of time, but before I answer that may I first say that I have a very high regard for Jobcentre staff?

Q89 Teresa Pearce: I wasn’t saying that I didn’t either; it is just different skills.

Mr Duncan Smith: I know you are not. I am not in any way impugning your concept. My point is that a lot of this comes from talking to them. They are frustrated because they think that they could do more, but they are often limited in what they can do, so they end up being process-based rather than understanding. If you really probe a lot of them, you find that they know quite a lot about the people in front of them, but they are unable to apply some of that understanding. We think that we will be able to work with the existing people in Jobcentre Plus, but to get them across that next bit means that they need to understand much more at the first point. Terry?

Terry Moran: Your point is well made. When it comes to operating a system of the kind described in the White Paper, how we interact with people and help them change behaviours, which may not have been there in the past, will be very challenging for us. We have to invest in that. We do not yet know what all that investment is in terms of learning and development at this stage.

Chair: Stephen has one more question to ask.

Q90 Stephen Lloyd: This is a rather complicated question, but in a way it illustrates some of the anxieties that people have and some of the complex cases that people experience, such as the one that my colleague Glenda Jackson was talking about. Can you clarify how the lone parent exemptions from conditionality outside school hours will interact with a proposal to reduce Housing Benefit by 10%, if someone is claiming Jobseeker’s Allowance for more than 12 months? I suspect that this is for Terry—

Mr Duncan Smith: I am not quite sure that there is much confusion on this at all. The reality is that the advisers have always got the scope, which exists now and will continue, with lone parents with caring responsibilities, obviously. Advisers will ask them to accept jobs when they come into the regime, which was to be at seven years old under the previous Government, and with us it is five years old, or basically school age. However, there will be the scope for them to accept the jobs that fit their base caring requirements. They will not be expected to take a job that breaks through those caring responsibilities, so the same rule would apply pretty much throughout the sanctions. If you are referring to the Housing Benefit end, it is much the same. In terms of them being in work, they’ll still have to be in work with the same conditions that exist with regards to their caring responsibilities.

Q91 Stephen Lloyd: But then will child care be provided for claimants required to undertake mandatory work activity in that situation?

Mr Duncan Smith: Well, as per our stated position on child care, the answer is yes. I may be missing
something here, but I am not quite certain what the line of questioning is on this.

**Q92 Chair:** To clarify, the lone parent who has been out of work for a year once their youngest child reaches five, will face a 10% sanction on their Housing Benefit—we have more questions on Housing Benefit coming up. That sanction will follow them, and there is nothing that they can do to get rid of that 10% sanction on the Housing Benefit, unless they get into work. Now, it may be very difficult for them to get into work. Yes, there are allowances that they should only take work that fits with their caring responsibilities, but that might make it doubly difficult for them to get into work.

They are busy carrying a 10% sanction on their Housing Benefit, which they can get rid of only by getting into work. But they can’t get into work because they have caring responsibilities and the employer won’t be flexible enough or there is no decent child care in the area that would allow them to get into work. So they are caught in this Catch-22 situation: they have changed their behaviour and have done everything that the Government have asked of them, but that sanction is still following them around.

**Mr Duncan Smith:** Chair, unless I am missing something, my understanding of this is slightly different. The sanction is there if they simply do not do what they’re meant to do, which is to accept jobs. The jobs that we’re talking about here still fall back on the requirement to have a job, but will fit within their caring responsibilities.

**Q93 Chair:** Can I be very clear about what you are saying? The 10% sanction on Housing Benefit for those who have been on JSA for a year will apply only if they refuse to take a reasonable job? That is not my understanding of how it has been presented up to now.

**Mr Duncan Smith:** Well, refuse to take a job, but bear in mind that the work that they are being asked to do will continue to be work that fits within the scope of their caring responsibilities.

**Chair:** That’s not quite what I am looking at.

**Mr Duncan Smith:** If they were offered a job—

**Q94 Chair:** No, there is no job. They haven’t been offered a job. They’ve been on Jobseeker’s Allowance a year and they’ve just gone into the Work Programme.

**Mr Duncan Smith:** Okay, now I understand what you’re talking about.

**Chair:** They are complying with everything that the Government have asked. My understanding at the moment is that you’re talking about something slightly different.

**Mr Duncan Smith:** Sorry, I thought you were talking about sanctions against failure to take a job. I misunderstood you, and I apologise.

**Q95 Chair:** No. This is the sanction that rests with the Housing Benefit, which a lot of people say is just unfair, because you could have an individual who has done everything that the Government have asked, has complied with everything and has turned up to all the work-related activity that they have been asked to, but because they have been on Jobseeker’s Allowance for a year, or the equivalent under the Universal Credit, they are losing 10% of their Housing Benefit. It’s not a case of whether they’re refusing jobs or not, but that they haven’t been offered a job because there is no job that they can take. From the Government’s own planning, there will be a large number of those lone parents, whose child has turned five and who will not get into a workplace because inevitably they are quite far from the workplace. The planning is that there will be a number of them who will not get work, but are still going to face the sanction through no fault of their own.

**Mr Duncan Smith:** The Housing Benefit issue stands as it is, which is that the year point is the cut-off point for that 10%. Of course, at the same time, they will be in the Work Programme at this point, so they will have some intensive support and help to get them into work.

I understand the concerns about the 10% cut in Housing Benefit, and we’ve obviously been round and round this point a number of times. But it is not a sanction against refusal to take work—I misunderstood what you were saying because you used the word “sanction”—it is about the fact that they are not in work at the end of that year, and therefore there will be a change to their status on Housing Benefit.

**Q96 Chair:** They will get only 90% of their Housing Benefit.

**Mr Duncan Smith:** That will stand, as it is.

**Q97 Chair:** That surely acts as a disincentive because it will make it much more difficult for them to take work because their income is going to be less. All that mitigates against or puts a barrier in the way to taking work, making it more difficult for them to take work than would be the case; they are losing money in cash terms—they will lose 10% of their Housing Benefit.

**Mr Duncan Smith:** But if they’re in work, they will have the full Housing Benefit.

**Q98 Chair:** Yes, but that’s the only way they can get rid of the sanction. And if there are no jobs, they can’t get work.

**Mr Duncan Smith:** We will differ on this, but you could argue that it is therefore an incentive, not a disincentive, because they will get their full Housing Benefit by being in work.

**Q99 Glenda Jackson:** With respect, Minister, it’s an automatic removal of 10% of income.

**Mr Duncan Smith:** It is, but the issue that the Chair was talking about was whether it was a disincentive or an incentive if they lose it. Of course, if they’re in work, they would have their Housing Benefit. The way to get it back is to be in work.

**Q100 Chair:** That suggests that people are wilfully not taking a job. That will not be the case with a large number of people. They would love to get a job, but
there is no job for them to take, and they are still going to lose 10% of their Housing Benefit.

**Mr Duncan Smith:** Chair, I understand your concerns. We have debated this and we will no doubt go on debating this. The Government’s view is that it acts as an incentive, not a disincentive. Obviously, if a number of the Committee think differently, I accept that, and that will no doubt continue through the Bill. But this measure is not directly relevant to the Universal Credit. It may impact on it, and you may take a view, but the Government’s view is that it acts as an incentive, not a disincentive. We may disagree about that.

**Chair:** I think we will.

**Mr Duncan Smith:** I suspect we will rehearse that debate again and again.

Q101 **Glenda Jackson:** Surely, the only incentive is that it will encourage people to have more children. I thought that was something we—

**Chair:** We will leave that hanging.

Q102 **Mr Heald:** Of course, the overall effect of the proposals is to focus more resource on the poorest and to move away from welfare dependency. Anyway, I am supposed to ask you about support for rent and mortgage interest. There has been a welcome for the fact that the amount of money that is going to be allowed for rent and mortgage interest under Universal Credit will be similar to what is currently allowed under Housing Benefit, but there are some details about how it might work that we want to ask you about. You are moving to a system that is uniform—a central system—from, in terms of what housing support has been, one that is a locally administered scheme. So the first question concerns how you are going properly to reflect housing costs in the new arrangements.

**Mr Duncan Smith:** Well, I agree that there is a change. We have set the principles for doing this. I was rather hoping that there would be a recognition that there is fairness through it and that it is affordable and ultimately helps make work pay. That is why we want to take it into the system. The point is that the design that we are trying to achieve for the Universal Credit will need to ensure that we have proper safeguards in place for vulnerable tenants. We are working on that. When it comes to things such as mortgage interest, we will still allocate an appropriate amount, which we added, so that will deal with the needs of those who have a requirement for support through their mortgages.

By and large, we think that on balance—we are still working it through—it will be better for it to be part of that overall payment. We know that there is an existing problem with the way in which Housing Benefit works. Often it is badly administered. For instance, somebody comes out of work and it gets paid to them late, so they can actually be net losers for a month or more before it gets paid back again. It becomes a real disincentive to take work, because of the complexity and the fact that everyone tells everyone else what happened to them: "I went in and I lost my Housing Benefit. I came out of work and it was three or four weeks before I could get my claim settled. Meanwhile, I am much worse off. You don’t want to do that, because it’s a disaster.”

We think that we can get over the psychological hurdle that going to work means you will be in trouble, because with the Universal Credit, being in or out of work is a much simpler process and the calculations and payments will be swifter. By and large, this will be a better system and much easier for people to understand. There will not be lots of multiple claims going on. They will actually get it within their payment.

As we pick up through the realtime system the way that people’s circumstances change, it will be far quicker. If they are in or out of work, or if they are doing more hours or fewer hours, that will be much more apparent and need far less interaction with them. At the moment, if they make a change in their circumstances, they are constantly having to tell everybody that they have changed. Often, it is because vulnerable people get that wrong and therefore end up getting money clawed back from them. The Housing Benefit being brought into this should improve the system enormously.

Q103 **Mr Heald:** In terms of the broad principle, our witnesses agree. There is just the question of the mechanics of it. I don’t know if either you or perhaps Mr Moran might be able to help on this, but we have two slightly contrary views coming through in the evidence. Crisis told us that it thought registered social landlords should be required to feed in information to you about the level of rent a claimant should be eligible to pay, so that the amount that was added to the Universal Credit was an accurate reflection of their actual rent in that particular locality, under this new system. Now, the Building and Social Housing Foundation argued for something rather different. It said that for each area you ought to have flat rates so that if you were a claimant you could go to a table and look up your local area and tell yourself whether you were entitled. Mr Moran might be able to help on this, but we have some safeguards in place for vulnerable tenants. We are working on that. When it comes to things such as mortgage interest, we will still allocate an appropriate amount, which we added, so that will deal with the needs of those who have a requirement for support through their mortgages.

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quickly, and assure ourselves that it is the right number. We are at the early stages of understanding whether, and how, we should do that. Part of this, inevitably, relies as it always does on the people who are the customers—the claimants of the system—telling us. We then need to think, and to have systems in place that assure us, about whether we go down the full route that says that, for every single person, we have that automatically available to us. That might be a disproportionate cost, but we will look at it.

**Q104 Mr Heald:** You are starting the migration in 2013, but when would your emerging thinking become clearer on this point?

**Terry Moran:** During the course of this year we need to be absolutely clear on that, and certainly because in the summer we will be wanting to let contracts, particularly with our IT suppliers, about some of the core things that we want to do. So during the passage of the Bill, and certainly no later than summer, the high-level building components of what we want the system to do for us will need to be understood.

**Mr Duncan Smith:** We would be happy to engage with the Select Committee again. You will forgive us, but the issue is that we have got a lot of this sort of advice coming from all sorts of groups. It is about trying to get the balance right between making sure the system is simple and making sure that it reflects, sometimes, a little more reality on the ground about what people actually need. While we could go for an incredibly simple system, we would end up having to pick up the pieces of some of the fallout on that. We would be very happy to listen to the opinion of the Select Committee on that. We’re still at the point of trying to figure it out.

**Q105 Mr Heald:** A similar issue has been raised with us over support for mortgage interest where, at the moment, it’s a very broad-brush approach: an interest that sometimes you set the rate too high. Various witnesses have been saying to us that it would help if that could be a more accurate reflection of people’s costs. That is raised particularly in the context of the disabled and the shared equity arrangements that they often want to be part of, for independent living. Do you have any thoughts on the balance there? Is it better to stick with the broad brush or would it be possible to move to something a bit more individualised?

**Mr Duncan Smith:** Instinctively, my reaction is that the simpler we can make that, the easier it is to administer, but I recognise the problems that we have had quite recently, where the nature of broad-brush means that sometimes you set the rate too high, and then, when you have to reduce it, others who have set themselves on the higher rate find themselves trapped. I fully understand that.

Frankly, there is no easy solution to this. We think the principle that should lie behind this is that we basically set an amount that is attached to Universal Credit that deals with it. Again, much like Housing Benefit, we are still trying to figure out whether we go for a simple flat amount, in the sense that it is set and pegged at a rate, or whether we take a greater understanding of the different natures of mortgages. Personally, instinctively, I sense if we start making it too complex on the mortgage front, we are going to end up introducing complexity through the system and then lots of caveats, and I think if you do that it starts to run against the principle of Universal Credit.

So again, there is no simple answer. We’ve got lots of advice and we’ll reach a conclusion at roughly the same time as we do on Housing Benefit.

**Q106 Mr Heald:** Overall, the Institute for Fiscal Studies (IFS) has said there are substantial advantages to having an integrated simpler system, with reduced administration costs. Money lost to fraud and error would be a lot simpler to understand, and so on. So is what you are telling us that on issues to do with housing costs, you are more likely to go for a simpler, more broad-brush type of approach rather than something that is very individualised but complex, bureaucratic and so on?

**Mr Duncan Smith:** No. I wouldn’t draw too much on that. What we are simply saying today is that we have had a lot of advice from a lot of people and a lot of it conflicting. Obviously, different interest groups represent their interests and therefore they will pitch in two completely differing views, as you have seen. My sense about this—for what it is worth—is instinctively, that Housing Benefit is by its very nature more complex than the mortgage relief side of things, because with Housing Benefit, for the most part you are dealing with quite vulnerable people who are often unsure about their own conditions, let alone able to declare some of that. So I think we need to tread very carefully when it comes to Housing Benefit. That is not to say that we don’t understand there are complexities on the mortgage side, but when you are dealing with mortgages there is a sense that maybe people are a little bit more in control of their lives, and therefore that simpler nature may well be more usable there.

Again, immediately everyone will say, “He’s going to go complex and simple.” But I simply say that that is the nature of where our discussions tend to be leading us in this. That is the only principle I would lay down. But again, it may be that I am completely wrong—I am, after all, only the Secretary of State.

**Chair:** With Housing Benefit I think London is different—

**Q107 Glenda Jackson:** You said that Universal Credit is going to be phased in over a period of time. But the realities of Housing Benefit are coming in very quickly, and yet I understand that the Government have commissioned an independent review of Housing Benefit. So presumably you haven’t made up your minds as yet as to what the changes to Housing Benefit will be. When you do, are those changes in Housing Benefit set in stone, and will they be part of Universal Credit when it is phased in? Because the issue of housing costs is a particular concern for major groups of people, not least carers, and it is an area which at the moment seems to be grey and foggy.

**Mr Duncan Smith:** The review we have committed to will be independent—I guarantee that. The sort of
areas that it was likely to be looking at will cover most of those areas that you have concern over, and so, obviously, we will want to be guided by what that review finally tells us. It will look at things like homelessness and the nature of the number of moves and the type of moves that people make—things like the single room rent. It will look particularly at issues around Greater London, which we know has peculiarities. A London MP, as you are, will understand that fully. So it will look at a whole series of things—the size of families, what kind of disabilities people in families have. It will be looking at the nature of what impacts on that area and on that basis we have committed to it. We of course wouldn’t commit to it if we didn’t think it was worth listening to.

Q108 Glenda Jackson: I appreciate that, and I appreciate the review. But my question really is, are you expecting that review to actually alter the amounts? For example, is the cap on housing benefit going to go up, go down or change, so that people are going to have to rethink again, in a comparatively short space of time? The second part of that question is, when that decision is made, is it going to be exactly the same decision for when Universal Credit becomes universal?

Mr Duncan Smith: The point is really that the review, as I understand it—unless my colleagues correct me on this—will want to be looking at the impact of the measures on all the criteria that we are looking at. For all these groups—homelessness, disability, and so on—what is the impact of the changes going to be? Obviously, from there will follow some kind of recommendations. So it is the impact of what we are planning to do which will be the key to the review, and the review will therefore be looking at what we are proposing, and then deciding whether or not it has unintended consequences.

Q109 Glenda Jackson: If the impact is deemed to be disastrous, presumably changes will be brought in? I am trying to get a timeline on this.

Mr Duncan Smith: I agree. That is the whole point—we are asking independent people to look at this so that we can get a better view, not just within our own Department.

Neil Couling: I gave evidence to this Committee, and recommended that there be some review of the implementation of these changes you as the Government were saying, “We think it will have these effects” and there were people outside saying that there would be other ones. In terms of the Universal Credit, what we are proposing to do is to take the Local Housing Allowance arrangements for the private rented sector and put those within the Universal Credit. So if we make changes before 2013 to the Local Housing Allowance regime, that will be reflected inside Universal Credit. I hope that answers your question.

Q110 Glenda Jackson: I appreciate that. My other question is about the timeline between the review reporting and the changes to Housing Benefit coming in. If, as I say, the report states that this will be a total and utter, unmitigated disaster and you will have to think of different levels—that can’t be right. Do you know what I mean?

Mr Duncan Smith: Actually, the review will be complete before we start the process of moving across into Universal Credit. It is due to finish in 2013, so that will give us time to make any changes or decisions that are necessary.

Q111 Glenda Jackson: But Housing Benefit changes are coming in well before 2013. That is my point.

Mr Duncan Smith: They are. Those are the changes that we have already said we will implement now, but the review will be looking at what the impact will be as we move towards Universal Credit.

Q112 Glenda Jackson: So it will have no impact on Housing Benefit claimants now.

Mr Duncan Smith: Well, the changes we have already announced will go ahead.

Q113 Chair: I am assuming that the review will review once the changes are in place. So the review will be a retrospective view.

Mr Duncan Smith: There is a point that I should have made at the beginning, which was to remind people of the whole issue of transitional protection. The conditions and the state of people as we enter Universal Credit won’t change. That will change in the future as conditions change. I hope that is helpful. People will be protected against their knowledge of where they are now.

Chair: I think Alex has a very short question, then I will call Kate.

Q114 Mr Heald: Chair, we did ask for such a review, and I think it was welcome.

Mr Duncan Smith: As Neil reminded you, Chair, it’s a feather in your cap that you got the review. We did give it to you because you asked for it. But we will be guided by it.

Chair: We like to think that that was our first success as a Select Committee.

Q115 Alex Cunningham: Whatever changes come in and whenever they change, reductions in housing benefit are likely to result in people moving away from where the jobs are. Have you made any estimate of the impact that that will have on the incentive to work?

Mr Duncan Smith: First, I am not altogether certain that I agree that the changes that we are making to Housing Benefit—we can rehearse this debate all over again, but I don’t agree that the changes that we have announced to Local Housing Allowance actually will result in people necessarily moving away from where the work is. I think what has happened to many people is that because of the way that the rents have gone, an awful lot of people have had to move away from where work is right now. You only have to look at London to see that some of the low-income families have had to move to the outskirts of London and commute a very long distance across London to get to work. In my constituency in north-east London, that is very much the case.
Q116 Alex Cunningham: So you have got to expect more people to be doing that.

Mr Duncan Smith: No. My point is that we are trying to resettle this so that ultimately, one way or another, living in cities such as London becomes more affordable for people across the board. The present system of payments and the Local Housing Allowance is unsustainable—as I say, we can rehearse that argument all over again, I don’t mind. My view is that they were unsustainable. In the last two years, payments rose by 9%, and we need to get that back under control. It is as simple as that. In doing that, we want those rents to come down. That is the key point—40% of the rental market right now is sitting in front of you. What we do, does affect the rental market.

Independent research shows that in the previous year, private rents had already fallen by 6% but LHA rents had gone up by a number of percent, where those rents are. We’ve given all sorts of transitional relief to protect people during that process, and we have said that if local authorities can negotiate those rents down, they can get some direct payment. That is very much what the landlords were asking for, and we are now pressing local government to ensure that it helps deliver on that. Basically, if we can get these rents down, people won’t have to move.

Q117 Alex Cunningham: So there is no disincentive to work?

Mr Duncan Smith: No. Quite the contrary; at the moment there is a massive disincentive in the system to work. The way that Local Housing Allowance is paid often makes decisions to go to work complete madness. If you are in an area and you are going to lose your Housing Benefit and you’ll have to move house if you go to work, that in itself is a massive disincentive. To be fair, the last Government recognised that, and I think, had they been in power—I hate to say this—they would have had to enter on almost exactly the same process of change to the Local Housing Allowance because everyone recognised that it had got out of control.

Chair: We will move on to how disability will be treated in the Universal Credit.

Q118 Kate Green: At the moment, under the present system we have a number of disability premiums attached to particular benefits. Can you tell us how premiums that recognise the additional cost of disability could be treated under the Universal Credit?

Mr Duncan Smith: Can you repeat that? I did not hear as everyone was turning their pages over.

Kate Green: In the present system, disability premiums are attached to a number of benefits. Can you explain how premiums to recognise the additional costs of disability will be treated in the Universal Credit? I am particularly interested in how changes in entitlement to Disability Living Allowance when the Personal Independence Payment comes in might have a knock-on effect on some people’s entitlement to disability premiums.

Mr Duncan Smith: The main point that I make about the premium—my colleagues may want to pick up in more detail on this—is that again, rather like with the Carer’s Allowance, we are into an area where it is quite difficult for me to answer the question, and I did make this clear to the Chair a week ago. That is simply because we are looking at how this works. There are two things we know, and you know this more than anybody else. One is the complexity that lies around the multiple levels of benefit that are paid, and we think there are some difficulties in that. We have consulted quite widely with disability groups about what they think we should do when we bring in Universal Credit. Should we leave things as they are? Should we change them? How would we do that?

We are reaching conclusions about that, but I am not really able to tell you specifically what we will do. I will be able to tell you before the Bill is published, but I can’t really tell you now exactly what our choice is on this. All I can say to you is that we want to try to make sure that, under Universal Credit, the system is easy to understand and that, if possible, existing anomalies do not act as problems to people who really need access to benefits. We have constantly discussed this with every group, rather as we have with the carers’ groups, to figure out what they really want and what they would prefer in this process, but the premia, as they stand right now, are quite complex and difficult to understand for a lot of people.

On the Disability Living Allowance side of things, the Personal Independence Payment and the consultation that takes this forward reflect the fact that almost every group we have spoken to has reached the conclusion that the present, existing disability living allowance has become very difficult to understand. You shake your head, but—

Q119 Kate Green: It was actually the simplest benefit to understand.

Mr Duncan Smith: Well, it is not. I am quite happy to show you the evidence from a lot of people who have claimed the benefit. Lots of them think that it is income-related. Lots of them worry about going to work, because they think they will lose it. It is very unclear to them what the purpose of it is. It has got quite complex given the nature of the various components inside it. Honestly, almost everybody who is actually in receipt of it is really unsure, and not one of them—well, very few of them—can absolutely say “These elements are for this. These elements are for that.” They have rather lost track of what they are getting, why they get it and when they will lose it. There is a lot of interplay with going back to work, which is the key.

The key principle behind this, of course, is that we want to retain something that is not income-related and that supports the vulnerable disabled, with the most disabled getting proper support for their independence and living. Those will be the principles that lie behind this. The consultation is ongoing right now, and the impact of that will be taken into consideration.

Q120 Kate Green: Can I particularly ask you, though, about one issue? Leaving aside the guarantee of transitional protection, which is very welcome, we know on the basis of the consultation that the Government have issued on the Personal
Independence Payment that 20% less money is expected to be available for the new Personal Independence Payment given the current level of expenditure on DLA. Leaving aside transitional protection, could access to money to support the cost of disability be less under the Universal Credit than under current benefits for those who come into the system for the first time?

Mr Duncan Smith: Again, you are dragging me into a specific answer. I am sorry to be cagey about this. It is simply because this will become very clear when we publish the Bill. I cannot really say absolutely. I can instinctively say that that is not my intention.

Q121 Kate Green: Can I just ask one other thing about carers? I appreciate that you have not been in a position today to confirm whether Carer’s Allowance will come within the Universal Credit. Whether or not it does, however, could you tell us whether you see an opportunity to reform support for carers so that they can move away from the all-or-nothing cliff edge that they face at the moment, where, if their earnings move over £100, everything goes.

Mr Duncan Smith: We all know that this is not a good position to be in and that having cliff edges leads to unintended consequences. All the evidence we have taken and all the knowledge we have internally within the Department tells us that this is not the greatest system. A lot of carers on low income who may be caring part-time, or who would like to squeeze or improve their income, could do some work, which would top up their income. It would be great if they were able to take that income.

When we asked the carers’ groups about this, there was a little bit of a split view on it. They want carers to be able to take those decisions, but they are also very reluctant to see any of the Carer’s Allowance tapered, which would, of course, be the issue. You would be able to deal with that if you were tapering it, because that would allow people on low income in particular to benefit enormously. We recognise that I understand and recognise this, and I am as frustrated as anybody else, because the one thing I would really love to do is resolve this issue. That is why I am unable to say today what the final resolution of this is. I accept and agree completely that there is a problem. Neil’s point is quite right, but our instinctive sense about this as we look at it is that the problem lies in the complexity at the moment, which is why you have to introduce all these exemptions. However, this system will, hopefully, capture those exemptions within the disregard. I didn’t think it was a problem—

Q122 Kate Green: So that is not something that you expect to have resolved by the time the Bill is published?

Mr Duncan Smith: It is something that we hope to resolve. I promise you that I will tell you before the Bill is published what our final decision on this one is. I think you will understand from what I am saying that this is not an easy process. Everybody here would want to give the maximum support to carers because they do such an invaluable job. Although the benefits of the present system are that it supports carers, we know that it is also very unhelpful to carers who work to top up their income, because they hit this £100 cliff.

That is deeply unfair. I fully recognise that, but resolving it on both counts is quite difficult, so I will let you know.

Q123 Chair: Before we move on to disability, what happens to permitted work under Universal Credit? I can’t find any reference to it at all in the White Paper.

Mr Duncan Smith: I’m sorry, I didn’t hear that.

Chair: On permitted work, there are two levels to the old therapeutic earnings. There is the £20 that people can earn, which does not affect their benefits. There is also a short-term and a long-term permitted work that allows usually severely disabled people to earn up to £80 a week, and it does not affect their other benefits.

Mr Duncan Smith: I don’t think they are changing, but Neil, would you like to respond to that?

Neil Couling: I don’t think you need it, as such, because you have the larger disregards for disabled people of £7,000, and you have the taper rate cutting in after it. Permitted work exists now in the current system because you don’t have disregards and tapers of that size. Our working assumption is that you don’t need that, but we are still modelling through some of the effects to make sure that we don’t get any unintended consequences from that.

Q124 Chair: We have questions about disregards. It has been very difficult for us to work out what the existing disregards are and how they work. If you have a chart, that would be very useful to us.

Mr Duncan Smith: We are still working through that. Neil’s point is quite right, but our instinctive sense about this as we look at it is that the problem lies in the complexity at the moment, which is why you have to introduce all these exemptions. However, this system will, hopefully, capture those exemptions within the disregard. I didn’t think it was a problem—

Q125 Chair: The other thing to recognise in Universal Credit is that, where you have two disabled adults—not necessarily a husband and wife—living in a household, the household income nature of Universal Credit might be to the disadvantage of those two disabled adults, who at the moment are able to access things separately.

Mr Duncan Smith: Under the present system—my colleagues will correct me if I am wrong about this—the household is defined as those who are linked within that family group. There can be another adult in a household who is not linked to the family, and they are treated separately as a household in their own right. Maybe I am missing the point.

Chair: There might also be married couples who are both disabled.

Mr Duncan Smith: I see what you are saying.

Neil Couling: There are no new dilemmas created for those types of families in Universal Credit, because it is an existing issue if, for example, both were claiming Income Support but there were disability payments as well. It is a similar issue.

Q126 Chair: So the dilemma remains.
Neil Couling: If you have a household test for your social security system, those sorts of issues will always come up.

Q127 Harriett Baldwin: I want to move on to that simplification into the household and the monthly payment. One of the flaws in the current benefit system is that couples with children are often able to get more in benefit for living apart than living together. Is the change to looking at payments on a household basis designed to affect some of the behaviour that arises because of that?

Mr Duncan Smith: We didn’t specifically set out to design that. Of course, bear in mind that Universal Credit was designed to try and introduce a simpler process that incentivised work. Nonetheless, as a simplified process, what the IFS pointed out and what we came to see, was that this will have an impact on what is loosely referred to as the “couple penalty”. So, very much so. We want to do that, but it wasn’t a specific core element of the design. The reality of the design—which I felt all along would happen once we simplified this and once we created the incentives to go back to work, looking at households—is that we will actually have eroded, not eradicated, elements of the couple penalty, which was something I mentioned yesterday.

Q128 Harriett Baldwin: With the change to the single monthly payment to a household, which is obviously much more like the cash flow a household would get in an in-work household, has the Department done any work to analyse whether the payment is more likely to be made to the mother or to the father? Or will you be asking for a joint bank account? How will you be dealing with that?

Mr Duncan Smith: Yes. We are looking at this at the moment. We want people themselves to decide who should receive this money. That would be one key point. For example, it could be possible for it to be paid into a joint bank account. It could be possible to pay this to the woman of the household, or to the man of the household. As far as possible, it would be really good if they can make that decision, in the sense of that one payment. We want to try and keep this as simple as possible. I understand and recognise, looking at the evidence that came to the Committee, the concerns. We understand that there are concerns and we have been thinking about that a great deal. We should have scope—and I will ask the other two to say a little more about this—and want to see if there is scope for us to be able to alter that, where certain conditions require us to alter that. We think that is feasible, but we don’t want to make that the norm. In other words, there may be reasons why and it may be possible to make that alteration, but of course the trouble is that the more you alter, the less simple and more complex it becomes, which then introduces unintended consequences. The point really is—and I separate the monthly from where it is paid, first of all—that we would like to see that paid, and the decision about where that money should be paid, being taken by the family concerned. But there should be scope within the system to make alterations, where a change is required on specific payments. As I say, we are still looking at that at the moment. On the monthly side of it, I also notice in the evidence that there were concerns—and I think Ms Jackson raised some questions on this one, when I read back through it—about the idea of firing some of the benefits within it. I read that and was interested in it. The trouble with things such as firing some and the way payments are made within the individual elements is that you then, almost immediately, start to lose the whole point of the Universal Credit, and you start subdividing again. The reason why people who currently receive benefits through the present system say that they have got it sorted out so that they get a payment here and that helps, and a payment over there, is because, frankly, they have to do it like that. Quite often the very complexity right now means that these issues are not settled at the same time. We are certain that because Universal Credit is being done in the same place, we should reach a conclusion about this pretty much at the same time, with all the evidence in front of us. Now, I understand the concern about what happens if one element is still not settled, because it is one payment. But we do have, and will have, scope within the payment of the Universal Credit to make advance payments on the basis that most of the evidence, or a large chunk of the evidence that is available to us, indicates that this is a correct assessment, but we are still waiting for some. So, there will be scope to be able to do that. It should not be, and we certainly would not want it to be, the case that anybody would simply be without money because they are still waiting for the settlement of some of the evidence. We have to decide whether they are on the right benefit. So, we think that should cover it. I don’t know whether I’ve covered that specifically, or not.

Terry Moran: I think you have covered that extremely well. The only point I would add is that the failure of the current system today is that when information isn’t available to us, then it is possible for us to go down the Crisis Loan route, which is not great for anybody and just adds to cost and complexity. The system will present the opportunity of payment to either of the couple or, if we see a real need to do so—at the moment we’re not designing it, because it’s been a default scenario—we could split the payment if we wanted to.

Mr Duncan Smith: You mentioned monthly payments. I know that some concerns came out about asking people, particularly vulnerable people such as lone parents, who are used to two-weekly payments, to move to monthly payments. We think that, for the most part, most people can. We think it has the advantage that if you move people to a monthly payment, they’re much more in tune with what will happen to them when they’re back in work. I understand that we’re dealing with a group that is used to a different type of payment. Having said that, when they moved from one week to two weeks, much of the same arguments were made and concerns stated, but, as I understand it, very little happened as a result. People reconditioned themselves to the two-week payment and resolved how they paid their bills over that two-week period. We will certainly want to...
work with people to make sure that their planning of their finances is better and that they understand the nature of it. They’re getting a sum of money that needs to be spread over a month, not two weeks, and they therefore need to pick up their bills.

But you know, there is a point that says the more you pay off each bill for them with a separate benefit, constantly, the more you’re really taking away any control of their lives from them and not helping them reach the point where they can cross over to work. I understand that there is a balance. There will be some scope to help them out in these regards, but we think for the most part, and our evidence suggests—certainly from talking to lone parents and others—that they will be able to make that change with a little bit of support and help. Of course, we will keep that under review. We think it’s important.

Q129 Harriett Baldwin: What about the times when households form and break up? How would a larger monthly payment cope with that process?

Mr Duncan Smith: I don’t know what plans we have for the detail, but I think we should pick up that information quite quickly—much quicker than it’s being picked up at the moment—to be able to adjust the payments.

Terry Moran: Inevitably, if there’s a serious breakdown in the relationship—they’re no longer a couple, one moves out and all the rest of it—we know that that is something that will be reported to us immediately, because of the financial implications for one or both of them. Ordinarily, we would do what we do today, which is make a full readjustment of their entitlements against their new circumstances.

Q130 Harriett Baldwin: My final question on this. When someone moves into work, is it possible, because of the earnings disregards, that they may find that they are actually taking home more than the pay off each bill for them with a separate benefit, constantly, the more you’re really taking away any control of their lives from them and not helping them reach the point where they can cross over to work. I understand that there is a balance. There will be some scope to help them out in these regards, but we think for the most part, and our evidence suggests—certainly from talking to lone parents and others—that they will be able to make that change with a little bit of support and help. Of course, we will keep that under review. We think it’s important.

Chair: We have a number of questions on the administration of Universal Credit. I think we covered quite a lot of them, but there might be the odd bit out of that that Teresa might want to pick up.

Q131 Teresa Pease: I have a specific question and a general question. The specific question is about digital inclusion. It looks as if, exceptionally, people will have face-to-face contact, but most people will access this via the internet. Will customers be able to choose face-to-face if they wish, or will they have to justify that? Does the Minister have any concern that people who are digitally excluded at the moment tend to go to public libraries to access the internet, when there is a current threat to public libraries? Has it been taken into account how that will affect the online system?

Mr Duncan Smith: The point I made earlier about this is that we now know that between 80% and 90% of the group are talking about are regular users of the internet and understand it. A number of those will be people who use it from a central resource, maybe a library or whatever. About 85% of the DWP customer group does so from home. The calculation off the top of my head would be that 20% to 25% of the people who are knowledgeable about the internet do not use it from home; they go somewhere else to do it. Maybe the answer to your question is about 20%. I may be wrong on those figures, but I think about 20% would actually be users of the internet, but from a central resource.

The rest will be making claims and so on from home. They are obviously comfortable with that; that is why they are doing it from home. The others that fall beyond will need interviews, which will for the most part be face to face. Some may do some of it by telephone, which is another route. In various locations there are also terminals in Jobcentres. We are looking to put those into other places much more, so that people can go to remote terminals—perhaps in post offices; we have yet to discuss that. That will make it easier for people, with somebody nearby to help if they run into difficulties, to enter claims or changes in the easiest way possible. However, we will still be keen to see people face-to-face who have difficulty with that. If you want to give the details on that, Terry, you could.

Terry Moran: You have covered most of it. I would just reinforce what I said earlier: we have started an intense and in-depth period of activity with people who are existing customers. We are understanding what it is that they welcome or are concerned about in going online. The feedback is not a showstopper in terms of their view. A lot of people have anxieties that can be managed through more information and communication, but there will some who will never do that. We, therefore, must have the mechanisms to ensure that we provide open and equal access.

You asked about whether they will be allowed to choose one or the other. Through education, we hope...

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2 That is, 80%-90% of tax credit recipients and 65-70% of DWP working age customers.

3 A very small number of vulnerable customers currently apply for benefits face to face and this is not expected to change under Universal Credit. Customers who are unable to claim online may claim by telephone or an alternative channel. We will continue to offer face to face back to work support.
to get to a preference, that the preference is the online channel. However, if anybody turned up, would we turn them away from a face-to-face once they were in the office? We might actually want to help and encourage them to use the technology that is there in the office. Part of the support we want to put in place is about how we ensure that people try online, if they are not at fault with it, and how we keep them online if they are finding it difficult. The support we will put in during the transitional period is about understanding that.

Q132 Teresa Pearce: We have all said that simplification is good, but it is difficult. People going into part-time or casual work would previously have lost their benefit. Now they will be able to keep it and that is a good thing. They have to say how many hours a week they have done.

In your document, it says that that will be done through the PAYE system, but not every person who is on PAYE is through a BACS automated system (Pay As You Earn taxation system and Bankers Automated Clearing Services). That would tend to be a person who had a casual job—maybe in a corner shop, that sort of thing. How are they going to be able to let people know exactly what they have earned that week, particularly if they are in something like the hospitality industry where much of the money will come from tips that do not go through the payroll?

Mr Duncan Smith: May I say two things before Terry answers that question? First, the vast majority of people on benefits are run through the system. I think it is about 98%.

Q133 Teresa Pearce: With respect, that is 98% of the wages that we know about.

Mr Duncan Smith: I accept that. We haven’t just set it around that. However, the majority will actually be swept up. There is a plus to this. Right now everybody is caught as to where they should make changes clear—whether it is tax credits in one place, or benefits. To whom should they pass the information? If they pass it to one place, we don’t talk to them. The benefits offices—the DWP—aren’t talking to the tax credit offices about what information they hold on somebody. At the moment, the onus is on the individual to do that, for everybody who makes a change. It takes so long to sweep it up, hence the overpayment, hence the clawback and all the heartache that goes with that.

It is important that this system will eradicate a lot of that. There will be one place, one point of information. A lot of it will automatically be picked up through the PAYE system—it is important for that to be known—and that will take a lot of stress off people who do not realise that they have to inform someone. A lot of their hours changes will be picked up through the real-time process. However, we will need to pick up this other group, and they will need to help us by telling us what is going on. That will require one-to-one contact. Did you want to add to that?

Terry Moran: I should add that that issue exists today, because earnings are declared late to us. That then is also a lot of overpayment that occurs in the current system because earnings are declared late to us. That then
shows up as error, but that will not happen with this system. Finally, there is a third component, which is in the tax credits system now. Assessments are made a year in arrears, in effect, and overpayments are made. You have probably had this in some of your surgeries, where constituents have said, “I’ve just had this demand for payment back,” and so on. There is a big chunk—I think it’s about £600 million or £700 million—of overpayments that we think will disappear because of the move to real-time assessment. I think we have made quite a conservative assessment of the gains that we will get on fraud and error, and then on administration.

Mr Duncan Smith: If it’s of any use, it also helps politically to tone the rhetoric down quite a bit. We can turn the knob down on this. There is always this “fraud, fraud, fraud” and everyone wagging their finger at everyone else, but the truth is that quite a lot of what we hear about politically and constantly as fraud is often complexity error. It is very easy for us to say it is fraud, and people feel quite stigmatised by that. The truth is that quite often it has nothing to do with them; it is simply that the system itself means that they did not understand what they were meant to be doing, yet they are apparently committing a fraud. A lot of them did not know that that was the case. We hope that, politically, this will tone some of the rhetoric down and basically stop people being accused of something that, frankly, is partly because of the system and has nothing to do with them.

Q136 Andrew Bingham: At the risk of being controversial, I would not quite take that as read just yet. There is a fraud problem.

Mr Duncan Smith: There is a fraud problem—I accept that.

Andrew Bingham: We should not minimise it, to be truthful.

Mr Duncan Smith: I am not minimising the fraud problem. My point is that this will help, I hope, in our understanding that some matters that we term fraud, are not really fraud. They are actually about the complexity of the system and people’s failure to understand the system in general. The rest we can define as fraud. This allows us to get after the real fraud in a much more focused way, rather than spreading resources across looking at this, because we will pick up elements that are to do with the way in which things are reported. That is the point that I was making.

Chair: We now have questions on Council Tax and the Social Fund.

Q137 Brandon Lewis: I have a couple of questions on Council Tax and the Social Fund. Taking Council Tax first, it makes sense, looking at the White Paper and the comments made, to move it to local authorities. Is the reason for moving it to local authorities—to try to tease you a bit beyond what the White Paper says—to cut down on the administration cost of having two different Departments effectively doing it, when the local authority does Council Tax anyway? The White Paper refers to working “closely together with local government and the devolved administrations to develop detailed proposals.” Can you go any further than the White Paper about what those proposals will be, and how this can work in practice? In my experience, having been with one for quite a long time, local authorities have an innate ability to make things complex without any help from the outside.

Mr Duncan Smith: As you know, it was announced by the Chancellor at the time of the Spending Review that it was our intention to localise Council Tax Benefit. The point on that is, basically, that the whole process of the Government at the moment is to try to give councils greater control over their budgets and greater control over how they set such things to reflect the nature of changes in their local areas more than nationalised systems can do. The DWP is arguably one of the most nationalised Departments in the sense that we control intrinsically an awful lot of what goes on in people’s lives. There is a plus element in what we are referring to and in what the Prime Minister is very keen to do, which is to say, “Look, let’s let local councils understand some of the more changed needs down at local level.” That is pretty much what we are going to try to do, and do successfully, I hope. None the less, of course, we still have to make sure that the work incentives that exist through Universal Credit, and by extension through Council Tax Benefit, continue, and we are taking a series of decisions about how best to do that, which will become clear at the time of the publication of the Bill, I hope.

Brandon Lewis: On the Social Fund, this is really interesting and quite exciting for local authorities, because it fits perfectly at the time when we have the Localism Bill going through as well and we are moving to a local focus on local needs. May I tease out some of the issues with you, particularly in the light of an article from The Times this week, “Crackdown on crisis loans as payout total reaches £1 million a day”, The Times, 5 February 2011, a copy of which we have all been given today? I know from speaking to professionals in Great Yarmouth recently that there is a view about the cash crisis money. One professional made the comment to me a few months ago that there are certainly people using it because it is too easy to access, and they are doing it quite regularly, as some examples in the article outlined. With that in mind, if that is going to be localised, what are the plans, if there are any, to have some form of— I hate the word “prescription”—some direction from the centre around how that should be administered by local authorities? Or is the intention to let it be truly local, so we will get disparity between local councils over what they do and how they administer it?

Mr Duncan Smith: I go back to the comment that I made earlier, which is that the intention of the Government is, as far as possible, to localise a number of different areas, so that they can be administered and therefore modified at that local level. I must just say about the Social Fund that we have had to try to bring it under control, because with the very nature of what has gone on in the past few years, it has run out of control. Thus, trying to get the thing back under control is our first priority, which is why we have
made sure that we try to manage the awards back to a level that is around the 2006–07 levels. In the past few years, it just rose and is out of control. Trying to manage that back down is the main principle in financial terms.

We face a financial problem—crisis—at the moment and we are trying to make sure that what we do deliver is delivered to those, obviously, who are most in need. There is a sense that, quite often, some of these loans are made to people who may actually be able to get money from elsewhere. Putting money into things like the child element of the tax credit is an area where we think we can get to people much more definitively and help them through their difficult periods.

Q138 Brandon Lewis: That fits exactly with what was said to me. Even with moving this locally, there will obviously still be times when the centre can give guidance or an indication of what it thinks would be appropriate, so will the Department be looking to suggest to local authorities that one of the ways to move this forward is for this to be part of what Jobcentre Plus can do? My experience of talking to the people at Jobcentre Plus was that dealing with these people—seeing clients day to day—put them in quite a good position to help clamp down on this, rather than local authorities setting up another department and having their own extra on-cost. They could effectively contract this out.

Mr Duncan Smith: You must have been in the discussion.

Q139 Chair: In a lot of the evidence we have taken, the organisations are completely puzzled, I have to say, about why you moved the Council Tax Benefit out to local authorities. They seem to think that that flies completely in the face of everything you are trying to achieve with the single Universal Credit and, indeed, with the Social Fund. I am wondering, did Eric Pickles’ localism trump your simplification? Is that what happened in Government?

Mr Duncan Smith: I wish it was as simple as that. The reality really is that, from the word go, the Prime Minister has made it clear that he wants to see as much as possible being moved to the local level, to local councils. You have seen the changes that have taken place—we can all debate as to how those work.

The key for us, though, is not so much where the variations are but that, with the Universal Credit, in one way or another the interaction between them does not disincentivise the move to work. That is the key. When we finalise all of this, I think you will see that that will not be the case. If so, we will all be satisfied.

Q140 Chair: You can understand why people think that this is a move backwards, in terms of complexity, which is what you are trying to get out of the system.

Mr Duncan Smith: I guess it depends on whether you are passionate about localising things or passionate about work incentives, and where the compromise exists, because there are very good arguments for or both. The question is how we square that particular twin demand, which exists in this Government because we have set one of our priorities as localising as much as we possibly can, while at the same time making the system as efficient as possible, so that we don’t get rid of the work incentive. I would focus on whether, at the end of whatever we do, work is made less viable or more viable. That is the key test for us.

Q141 Brandon Lewis: The converse argument, touching on the localism side, particularly with the Council Tax option, is that it depends whether you see this as simplification or, as the Chair said, otherwise. It comes from the position you are looking at it from. One of the comments I have had locally is that this is actually simplification, because the council tax benefit is going in with the body that deals with Council Tax. That in itself is simplification of where we are now, with two different organisations dealing with something and transferring data backwards and forwards all the time. That could be simplification.

Mr Duncan Smith: There is a strong argument that the people on the ground, in the council, who are dealing with the tenants who are in existence at that stage and with others in receipt of it, are the people who know. They are much closer, they will know the conditions and they will understand in their local area what variations may be necessary. My point, therefore is, that it is possible to square this circle. We can have localism, as it were, within this Council Tax Benefit procedure, as long as we don’t end up making the work incentives worse. That is the key test we need to look at.

Q142 Harriett Baldwin: From an administrative point of view, where my three district councils all share a revenues and benefits administration department, they would be more than willing to take on more of the administration if that was an opportunity for them.

Mr Duncan Smith: Yes, that is pretty much the point that I am making. It gives them localisation, but the key thing is the work incentives, which is the issue from our standpoint. I don’t have a strong view that says it shouldn’t go out—I am actually quite in favour of localising—but my point is, only as long as we don’t lose the work incentives. That will be the test.

Q143 Chair: May I ask a question on behalf of the British Legion? They have been very keen to get Council Tax Benefit renamed, as Council Tax Rebate. It was in legislation passed by the previous Government, and the British Legion are frustrated that this hasn’t happened. They are now worried that they will have to negotiate with over 300 local authorities to try to get the name changed. They feel that it is very important, particularly for an older population who are put off claiming a benefit, when in fact it’s not a benefit but a rebate. Has the Department put any thought into this?

Mr Duncan Smith: I have not discussed it myself although I can understand the nature of their concern. It is one that I missed within the evidence sessions that you took. I am certainly happy to go back and have another look at this. Have I missed something?

Neil Couling: We reflected the Royal British Legion’s view in the White Paper. I think that the sense of
Council Tax Benefit, localised, is that it would have to be a rebate—I don’t see how it wouldn’t be.

Q144 Chair: It is the actual name. They want it printed.

Mr Duncan Smith: I missed the point about the name, to be honest with you.

Q145 Chair: They are not arguing one way or another about how it should be administered. It is the name.

Mr Duncan Smith: Let me come back to you about this because it is certainly something that I completely missed. I will definitely have a look at it to see what scope there is to make changes to reflect that.

Q146 Glenda Jackson: How far will localism be allowed to go? Will individual authorities be able to change the rates of Council Tax Benefit and/or rebate, or will this be set nationally?

Mr Duncan Smith: These are matters that we are in discussion about at the moment. That is my point about where we end up.

Chair: I think we will have to come back to this.

Mr Duncan Smith: I definitely will come back to you. I promise you that. I understand your concern.

Q147 Alex Cunningham: It has been put to us that Universal Credit would need to cover at least 80% of child care costs to match the sums currently available through Housing and Council Tax Benefit for child care, in addition to the child care element of the Working Tax Credit. Sam Royston from Family Action calculated that if it is introduced at 70% and there was no additional help, a lone parent with two children, £100 rent and £20 council tax and earnings of £15,000 a year, working 30 hours with child care costs of £200 would be £35 a week worse off. I appreciate that that is quite a mouthful, but what he is actually saying is that there are real examples of people who will be worse off. Do you agree with the assessment that the 80% of child care costs needs to be sustained?

Mr Duncan Smith: Do either of you want to pick up the details of this? There is a whole series of figures to be given on this one, so why don’t you start?

Neil Couling: A change is happening in the current tax credit system in April, where the overall limit for child care costs will go down from 80% to 70%, which takes it back to the 2006 levels. As we said in the White Paper, child care arrangements are currently anchored on the 16-hour point for lone parents. If we are to make our proposals work and get more lone parents into work for fewer than 16 hours, we think we need to extend in some way the child care arrangements down the hours scale. We have tried to find the best ways of doing that within the current envelope of spending. We have not reached any conclusions on that yet, but that is the thing we are wrestling with.

Q148 Alex Cunningham: So additional help could still be built in to ensure that that family unit does not lose £35 a week.

Mr Duncan Smith: We are looking at all of that right now. I cannot give any guarantees on that. The principal area that we want to deal with, which is why I want to give the figures first, is to look at a way in which we can—this will be the key change—put this care down the scale as we open up the hours. We need to try to support people in the lower hours groups at the moment, as they go back to work. That will be an issue. The honest truth is that we have not completely reached conclusions on how best to do that. We will be quite happy to share them with you, but at the moment that is where we sit. How we answer that question depends on what the balance of arguments comes down to.

Q149 Alex Cunningham: This is not an example of someone on low hours. This is someone on quite high hours—30 hours a week.

Mr Duncan Smith: I accept that. It is part of the whole review that we are looking at the moment.

Q150 Alex Cunningham: Have you decided which of the three options for providing support for child care in the Universal Credit you want to go for?

Mr Duncan Smith: Not exactly, no.

Q151 Alex Cunningham: Can you give us a clue?

Mr Duncan Smith: I will give you a clue when we are a bit closer to the finalised detail. I’m not sure that there is much more I can say on it. We have had a lot of representation on it and I want to be clear about what we think the balance should be before we announce where we are. We are taking everybody’s comments into consideration. We have had many of different comments about the best way to do it, so if I start trying to give you a steer, we may not end up in that direction. It is still an ongoing discussion, and I guarantee that we will let you know as soon as we reach what we think is a balanced conclusion.

Q152 Chair: That kind of detail is not going to be on the face of the Bill, then—it will be done through regulations.

Mr Duncan Smith: It’s not something that we will write on the face of the Bill, but as the passage of the Bill takes place, we will become clearer about it and we will certainly let everybody know.

Q153 Chair: So, the principle that child care will be included in the Universal Credit will be on the face of the Bill, but not the mechanism that will be used.

Mr Duncan Smith: Yes. We want to figure out exactly the best way to do this, and we still don’t think that we are far enough forward with understanding everybody’s concerns.

Q154 Alex Cunningham: How will work-associated costs and passported benefits be treated under Universal Credit, to ensure that people are always better off in work, with eye tests, their teeth, and so on?

Mr Duncan Smith: Passported benefits are slightly complicated, because not all the elements that we deal with are within our responsibilities, so we’re dealing with such things as free school meals and other areas,
and we are having to discuss all that with different Departments to see how we will reflect this best. We still know and believe that we have to reflect it through the income process. Again, we have to try and get other Departments to agree with us on how best we can do this. Then we can take it within Universal Credit, so people don’t lose out, but also so it is able to derive a proper balance on the taper, so that people who are eligible for these passported benefits actually get what they need. That is, again, an ongoing process. I don’t know whether anybody wants to add anything.

Neil Couling: What we are trying to avoid is a kind of bundling up. There are about five or six different main passported benefits. If we were to adopt the same trigger point for that, they would have a big disincentive effect for individuals and families considering work. We are engaged in various discussions across Whitehall, and we are trying, effectively, to stagger the points of withdrawal, so that they act less as disincentives to work—if that makes sense.

Q155 Chair: That is important. At the moment, you can be in work and not qualify for free school meals, or you can be out of work and qualify for them. Actually, the net income is the same.

Mr Duncan Smith: We agree. That’s why we are taking our time. I’m sorry that I am not able to be clear on this, but we haven’t reached an absolute conclusion about how best to do this. We will do it, but—

Q156 Chair: The hope is that such things as Universal Credit will solve some of this. I promise that now you are in the home straight. Karen has the last section of questions.

Q157 Karen Bradley: I want to turn to tapers and disregards, which we have touched on throughout the course of the evidence session. On the taper rate, 21st Century Welfare proposed 75%. Clearly, the Centre for Social Justice’s (CSJ) Dynamic Benefits paper talked about a 55% taper rate. We are now talking about—

Mr Duncan Smith: 65%.

Q158 Karen Bradley: I am curious as to why we got to a 65% rate when 55% and 75% had been proposed.

Mr Duncan Smith: Can I say two things about this? I read the evidence about this, and a representative from the IFS, Stephen Brien (of CSJ), and a representative from Reform—I think—were in front of you. To be honest, I didn’t agree with what the individual from Reform said about some of this stuff. The IFS was about right, and obviously Stephen, who was involved in this with us before, understood it. Stephen’s answer is the answer that stands, which is that this is a balance of what we can afford and what gives us the best advantage on the taper to still incentivise work, or working extra hours.

We should be clear about this: bear in mind that the disregard is what affects the back-to-work choice, which is this thing that we call a participation tax rate, and that is a new concept from just the marginal tax rate. It is the starting point. How do you make that smoothing, so the disregard allows that incentive process to begin? The taper is then about how people find that increasing the hours and working longer becomes as advantageous all the way up.

It is important not to lose sight of the key thing about Universal Credit, which is that in future, once we get Universal Credit in, any Government—whoever they are—will make decisions that are very transparent around those two things. Gone will be the days when the Government do an uprating statement and everybody glazes over in the Chamber because they lost track of half of it. You will be able to pin a Government down over those two things—where is the taper? If you think it is important to incentivise people even further up the chain to move into work, you will set your tone around a lower taper; if you don’t, it is a higher taper. If you think the key question is back to work, your disregards will change. It is important to grasp that simplicity around those two things helps people understand it better.

Moving on to the 65%, I hope that it is not lost on the Committee that I disagree with the gentleman from Reform when he said that this has all been tried elsewhere and that the incentives haven’t worked. First, we have not calculated dynamic effect in this, but in the Dynamic Benefits paper from the Centre for Social Justice, we calculated—we believe reasonably—that there was a dynamic effect on costs. But none of that is in this; we are looking at this as a flat system, so our issues about households back to work and about children moving out of poverty are based on take-up. But this is not a dynamic process; we are not forecasting that there will therefore be more people. The gentleman from Reform seemed to indicate that that was the point, but it is not—we haven’t. I happen to believe that this will have a dynamic effect, but between us and the Treasury, we have not calculated that—that does not exist, so his point that somehow this didn’t work was a mistake.

The second point about the 65% is that it is a political decision—that is what it amounts to now, much like the upper and lower rates of taxation are. The brilliance of this, if we describe it as brilliant, is its simplicity. If the Government say, “We are going to raise it,” you can have an argument about whether that is unhelpful, and if they lower it, that is a clear statement that they are investing money in getting people back to work and you will all be able to understand that very simply.

For us, the 65% still gives us an incentive to get people back to work, and the calculation on so-called winners and notional losers—because, obviously, everyone is cash-protected—comes off the back of that. But again, as I say, if you get hooked up on the 65%, you lose the point that, if another Government come in, they can make a decision about whether it is 55, 60, 63 or 72. It is their decision.

Q159 Karen Bradley: You haven’t modelled, for example, the impact of the cliff edge, the 16 hours, the 30 hours—that people might change their working patterns to reflect the fact that, in absolute terms, they
would be worse off except for the cash protection on the transitional arrangements?

Mr Duncan Smith: The IFS was good on this. As it pointed out, what has happened as a result of the tax credits subsidy of those hours is that you have clumping taking place around those artificial hours of work. I say “artificial” because all the evidence we have seen, particularly from lone parents, for example, suggests that if they had the scope, they wouldn’t necessarily choose 16 hours. In fact, most parents, lone or otherwise, want to find a way of combining work and care. You would pick the hours that meet the needs of the care and as your child gets older, you could do more work.

That is what the Universal Credit allows people to do and this is why at present, with the tax credit system, you see such a lot of churning taking place, because lone parents can only go for a job that says 16 hours— it is simply not worth their while, for the most part, to take anything else. We favour smoothing that out. That means if you are at the 16 hours, if you look at the lines, you will be a notional loser, because we are not going to meet that spike, but either side of the line you will be a gainer.

So when people say they might change their hours, yes, the cash protection sits like the back of a seat to them, which says, “Look, at this present moment you don’t have to worry about changing your hours because we’re protecting your position, but as you reflect on this and think about what you want to do in terms of where you are, you might choose to change the hours you’re working and you will be much better off doing it than you would have been before, when you wouldn’t have had that option”. That is the way I would see it.

The cash protection is not just about saying to people, “We will buy you off for a while”; it is actually giving people time to reflect on what their own needs are. They may then say, “In fact, I really only want to do 13 hours. There is a job here with 13 hours; I’ll take that”. Or, “I’ll downscale two hours from this firm—they’ve agreed it and I’ll be better off. I couldn’t have done that before, because I’d have lost dramatically on the cliff edge”. So the cliff edge is gone, and what you end up with is a smoother line. That’s the point of the taper.

Q160 Karen Bradley: But you have not modelled that in the current assumptions that people will change their hours. Is that what you meant when you said you hadn’t modelled the dynamic impact?

Mr Duncan Smith: No. The point about the dynamic impact is that what we haven’t allowed for is that as a result of the improved incentives to work, an extra number of people will suddenly start changing and moving their circumstances. I believe that will happen, but we haven’t displayed that. What we have is absolutely flat; where people stand now, cash protected, they’re there. Others will be in work earning higher levels of income at certain points because of the change in the taper and the withdrawal rates and marginal tax rates.

Q161 Karen Bradley: That is what I thought you meant, so that confirms what I thought you were saying.

I turn to the earnings disregard. I will make sure that this is the last question, given the time. The CSJ indicated that the earnings disregard was the important point about getting people into work, but it wasn’t a policy decision to try to help people to progress through work; it was about getting people out of workless households. Is that something you would concur with?

Mr Duncan Smith: That is the point about the disregard and the taper. The disregard is the participation tax rate issue. What we find is there is a cliff edge for people going into work right now, which is a disincentive for them to take that decision. I have always argued that it is one thing to wag our finger at people who are unemployed and say that they must go to work, with a sort of moral purpose to that, of course it is quite meaningless to someone if you are telling them that and they think they are going to lose money, or certainly not gain any money, and they may have some travel-to-work expenses. The disregard is what meets that sharp entry point, and that is what it’s there for.

The taper deals with how that spreads itself up the line. At the moment, to go back to work as a lone parent, say, you would have to go for 16 hours to make it in any way worthwhile, and then you would have a real problem in moving up the hours, if you had more hours, until you get to 30 hours. I am simply saying that from now on that won’t be a choice that people can’t make, because the taper will allow for that choice by smoothing it out.

The argument about where the taper lies is simply about how much of an incentive there is to move on up, and further up the scale do you incentivise people the way things are? That’s why, as I said, the number of gainers is down at the lower end of the income scale, and the number of notional losers is further up the income scale. That is a choice of the taper, but any Government can change that.

Q162 Kate Green: I have a question about the self-employed, where you are working on the basis of using the national minimum wage as the assumed income for a calculation of people’s entitlement to Universal Credit. Will there be any mechanism for recognising where somebody might actually be in receipt of substantially less income from self-employment—particularly, for instance, when they are starting off?

Mr Duncan Smith: This is an issue over which we have been hard at discussion, because that group is often difficult to map. I don’t know if the others want to say specifically what changes will be made, but we are looking at that right now and we are conscious that that area is the slight blip in the system.

Neil Couling: We are looking at flexing the policy. We recognise that if you’re starting up a business your cash flow may be incredibly low at the start. It’s not the role of the Universal Credit system to support businesses, but clearly we want people to go self-employed where they can, so we are trying to strike the balance between those two conflicting aims.
Q163 Alex Cunningham: Save the Children asked a couple of things. What assessment has been made of the potential impact of Universal Credit on child poverty levels if the taper was lowered to 60%, then 55%? Is it the intention of the Secretary of State to move down that scale if the fiscal position improves?

Mr Duncan Smith: The point that I was making earlier was that once Universal Credit is in, it is a much simpler decision to take about adjusting that. The figures we released about the effects on child poverty are absolutely clear about the number of households that will move out and the number of children—350,000—that should be lifted out of poverty. This does not include the dynamic effect.

I still personally believe that the dynamic effect will actually make those figures better, because it will act as a real suck in to work for people. Obviously, the two things that change that are the taper and the disregard. If you set your disregards further up, you will affect those figures more positively. If you set them further back, you make that a slightly more negative position. We are where we are with the 65%, but it would be incumbent on any Government to decide, if this was their target, that one of the ways in which you could attack child poverty would be by changing the disregards or the tapers.

Q164 Chair: May I ask about the effect of in-work poverty? The tax credit system was clearly to tackle in-work poverty—we can argue about how effective it was, but that was its specific point. That is going to go, and I am not sure how the Universal Credit will help alleviate in-work poverty. It does nothing for income rates or anything, and apart from tapering away more gently, it will not have the dramatic impact that some tax credit payments had in some families.

Mr Duncan Smith: On the specific tax credits with regard to the hours at work, in a sense, we have smoothed that out. You can argue that it doesn’t necessarily change in the sense of the interventions—

Q165 Chair: There is a cut off if anybody has £16,000 in the bank. That is going to affect young couples who are saving for a deposit for their first house. It effectively means that they will not get the benefit.

Mr Duncan Smith: But even the IFS’s report was reasonably clear that people on the lowest incomes will benefit to the greatest degree under Universal Credit as things stand now. These are obviously decisions taken about how far up the income scale you want to go. Obviously, in a perfect world, and if we weren’t in the economic situation that we are in, we might well have been able to go slightly further on this. We may yet be able to do that—who knows? My point is that the Universal Credit as set right now—again, I fall back on the IFS for this—has been described as “progressive”. It will be more helpful to people on lower incomes, because they will be able to retain more of their income, and thus they will be better off, by definition. That is how we affect the child poverty figures and the number of households coming out of poverty. So my answer is that I think it does improve that situation. The tax credit was so focused on specific areas that it forgot an awful lot of people who couldn’t make that and then got left behind. My point about this is that they will retain more of their income on the other hours, and that is why the IFS said that it was a progressive measure to help people on low incomes.

Q166 Chair: But they will only retain that income if the disregards are right. There was a question earlier about whether it is possible to get a list of the different disregards. There are all sorts of disregards on Housing Benefits, such as those for war pensioners, child care and so on. But what those disregards are at present, and what they will look like under the Universal Credit, would be interesting—

Mr Duncan Smith: Fine, but can I draw attention back to the taper point? The taper rate changes that dramatically for people on lower incomes. That bit materially affects the amount of money that they hold in their purse.

Q167 Chair: Until you look at the child care costs, but I’m sure we will argue about that in the weeks to come. On behalf of the Committee, thank you very much for coming along this morning. It has been a long but extremely worthwhile session. Obviously, we are sad people who await the publication of a Bill with bated breath. One word on benefits or welfare and most people’s eyes glaze over, and we get excited. Thank you for coming along.

Mr Duncan Smith: I know, Chair, that you are all going off to America soon, so I will endeavour to get you the details that we have not been able to tell you today as soon as possible, even if that means communicating them to you in the rough circumstances in which you find yourselves in America.

Chair: Thank you very much.
Written evidence

Written evidence submitted by the Royal National Institute of Blind People

1. Introduction

1.1 RNIB has over 10,000 members, who are blind, partially sighted or the friends and family of people with sight loss. 80% of our Trustees are blind or partially sighted. We encourage members to be involved in our work and regularly consult with them on Government policy and their ideas for change.

1.2 RNIB has taken a close interest in the development of the Universal Credit (UC) proposals. Disabled people, not least those with sight loss, tend to have lower incomes than does the general population. They are therefore disproportionately likely to need means-tested support with living costs.

1.3 We believe that the UC proposals, as set out in the White Paper, have both advantages and problems and welcome this opportunity to put our observations to the Committee.

2. Executive Summary

2.1 The White Paper needs to be seen in the context of wider Government strategies to reduce the current financial deficit. The Government’s approach is to rely on spending cuts to a much greater extent than tax increases. This has major implications for the benefit system.

2.2 Many of those concerned with poverty, disability and social inclusion would argue that the Government “shouldn’t start from here”—preferring an approach based on progressive taxation and less means-testing. But this is not on the Government’s agenda—or that of the Opposition.

2.3 So “we are where we are”, and in that context, the White Paper—in seeking to rationalise the tangle of working-age benefit and tax credit means tests—offers positive possibilities, in contrast to the generally negative tenor of the benefit measures in the June 2010 Budget and the October 2010 Comprehensive Spending Review (CSR). It also presents some problems and leaves a number of questions unanswered.

2.4 The White Paper is a rather less positive document than its predecessor, 21st. Century welfare. This is because it:

— features weakened and now very complex earnings disregard proposals;
— advances some harsh measures in relation to sanctions; and
— and reflects some intervening and problematic policy developments (notably concerning Council Tax Benefit (CTB) and the Social Fund).

2.5 The proposed structure of the UC makes sense, but the devil will be in the detail. The adequacy of benefit rates and of earnings disregards and interactions with other parts of the system—notably contributory benefits—will all require close scrutiny.

2.6 The treatment of housing costs is worrying. Harsh cuts to Housing Benefit (HB) have already been announced and the White Paper goes further, abolishing HB and replacing it with a housing costs component in the UC (and Pension Credit) which is likely decreasingly to reflect real rental levels. Eligible rents in the private rented sector, already severely cut, will be represented by a standard amount in the UC which (if current proposals for uprating HB “local housing allowances” using the Consumer Price Index are carried over to UC) will not even follow movement in housing costs. This will have negative implications for after-housing-costs poverty.

2.7 Meanwhile, there remains no adequate provision for mortgage costs within the benefit system and although this is to be reviewed in the context of the UC, there is no sign as yet of an intention to rectify this omission.

2.8 The following outstanding issues are also important:

— provision for carers;
— the need for more emphasis on high-quality employment support and less on sanctions;
— delivery of the new system and the readiness (or otherwise) of the necessary information and communications technology (ICT);
— safeguarding appeal rights; and
— and passported benefits.

2.9 In conclusion, we hope that the Government will build on the positive features of the UC while revisiting aspects that are emerging as problematic and will not seek to find further savings at the expense of the wellbeing of disabled people and others vulnerable to low incomes.

1 Universal Credit: welfare that works, Cm 7957, Department for Work and Pensions (DWP), November 2010.
3 The “local housing allowance” is the amount of rent eligible for HB in the private rented sector.
3. The Structure of the Universal Credit

3.1 The UC follows the structure of the benefits it replaces by using needs allowances (“applicable amounts”, in the current jargon) to represent basic needs for various types of household, from which other resources are deducted and above which benefit tapers out. The sufficiency of these allowances for their stated purpose has not been the subject of any official cost-of-living exercise and this will remain the case. Although annual uprating has for some years related to various inflation indices, the base levels are essentially the result of political judgements and historical drift. Their adequacy remains questionable and many claimants struggle. We believe that research to develop minimum income standards as targets for benefit rates is long overdue.

3.2 The needs allowances in the current system entail both basic living allowances and premiums reflecting particular circumstances—for example, disability, parenthood, caring responsibilities. It is important that the detail of the new structure takes into account the full range of relevant circumstances, retaining features such as the disabled child and severe disability premiums. Something like the support and work-related activity components of Employment and Support Allowance (ESA) will also be retained. These “building blocks” of the new system should be the subject of detailed consultation, as should the associated eligibility criteria.

3.3 21st Century welfare rightly identified low earnings disregards as a key problem in terms of work incentives. Significantly more generous disregards were envisaged. However, the White Paper introduces a clawback of 150% of help with housing costs, pushing earnings disregards back down towards a floor much closer to current levels for those receiving such help. The logic of this is unexplained in the White Paper, but we understand that it is an obscure mathematical device to shift available resources to those nearest the bottom of the UC eligibility range. Not only does this clawback militate against the original objective regarding work incentives, but it restores a degree of complexity that will baffle the public, contrary to the original simplifying intentions. We believe that this device should be dropped in favour of a more comprehensible model, and earnings disregards both significantly raised and index-linked to protect their value.

3.4 We also have specific concerns around earnings disregards in respect of:

- “permitted earnings” rules for disabled people, where the proposed UC “floor” rate is over £50.00 per week lower than the upper “permitted earnings” rate; and
- single childless people, where no earnings disregard is intended.

3.5 21st Century welfare was also strong on the disincentive effect of very high marginal deduction rates (of over 90% in some cases) where means-tested benefit and tax credit tapers interact with each other and with income tax and national insurance contributions. The White Paper proposes a single taper of 65%, producing a top deduction rate of about 76% for standard rate taxpayers. This is still very high, but much better than 90%+ and also more transparent (although this is about a 6% increase for people receiving tax credits but not HB or CTB—helping to make the case for a lower UC taper).

3.6 However, the proposed “localisation” of CTB creates a puzzle here. It is not clear how far local authorities will have discretion to design their own schemes, but if they were tapered, they would presumably ride on top of the UC, pushing marginal deduction rates back up to confiscatory levels. The White Paper is evasive here, but we understand that the DWP wishes to avoid this consequence and that an element to represent council tax is likely to be included in the UC. It would thereby be subject to the UC taper. We do not know:

- where such an amount would sit (possibly in the housing costs component?);
- how it would be determined;
- how adequate it would be; and
- or how this arrangement relates to the suggestion that local authorities would run their own schemes.

These are important questions awaiting answers.

3.7 The treatment of housing costs is a cause for concern. HB has taken a severe beating in the cuts packages announced in the June Budget and October CSR. We have previously submitted evidence to the Committee on this matter. The White Paper effectively abolishes HB, in favour of a housing costs component within the UC. In the case of private sector tenants, this component would (if current proposals for uprating HB “local housing allowances” by means of the Consumer Price Index are carried over to UC) be indexed in future without reference to housing cost inflation and thus almost certainly decline in value against rents over time. (Some sort of link with “actual rents” is promised for the social rented sector, although details are not given). Standard amounts for rent are problematic enough, as shortfalls can and do push many claimants and their families deep into poverty. But the breaking of any kind of link with movement in rents would be a major setback and a proposal which we believe should be withdrawn in relation to HB and not carried forward into UC.

3.8 Meanwhile, the currently very weak housing costs provision for owner-occupiers is to be reconsidered in the context of the UC. We believe that the opportunity should be taken to put mortgage costs on the same

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3 Response of the Royal National Institute of Blind People to the Work and Pensions Committee consultation on the impact of the changes to Housing Benefit announced in the June 2010 Budget, August 2010.
footing as rents within the benefit system—permitting in-work claims and removing the waiting period—thus recognizing the reality of modern tenure patterns.

4. RELATIONSHIP WITH NON-MEANS-TESTED BENEFITS

4.1 The contributory benefits system below pension age has been severely damaged by the decision to time-limit (to a year) contributory ESA for the Work-related Activity Group, as well as the practice of shifting large numbers of disabled people onto means-tested Jobseeker’s Allowance (JSA). Contributory JSA is already time-limited (to six months).

4.2 The White Paper continues this process to some extent, proposing to align contributory ESA earnings rules with the UC, which will undermine the ESA “permitted work” arrangements (unless they are exempted—which we would strongly urge). Some people have also read this to imply that a partner’s earnings would be taken into account—which we understand is not the intention, although we would welcome explicit assurance on this. We hope that further absorption of contributory into means-tested forms of provision will not occur.

4.3 Child Benefit, contrary to one rumour, is not to be absorbed into the UC. This is very welcome, as Child Benefit is an important non-means-tested recognition of the extra costs created by parenthood and the stake that we all have in the next generation. It remains regrettable, however, that Child Benefit is frozen for the next three years.

4.4 Similarly, Disability Living Allowance (DLA)—an important non-means-tested recognition of the extra costs of disability—will remain intact. A cost-cutting review of DLA is under way, however, and we shall fully engage with this, as we are aware of no evidence that significant numbers of disabled people are receiving DLA inappropriately.

5. OTHER OUTSTANDING ISSUES

5.1 The discussion of Carer’s Allowance is enigmatic. It seems to imply that its inadequate level suggests pointlessness, rather than the need for improvement. Carers with a working partner or other income could lose from this. We will watch the proposed review closely.

5.2 The White Paper proposes (in England) to transfer aspects of the Social Fund to local government, which will administer “much of” a reformed system of crisis loans and community care grants. It is not clear exactly what this means, but the DWP and its predecessors have made discreet overtures to local government in the past regarding a transfer of problematic aspects of the Social Fund and have been rebuffed. The current climate of major change has doubtless been seen as an opportunity at last to pass this unwanted parcel. Local authorities would thus inherit a difficult rationing task, with limited resources both for payments to applicants and for administration. Moreover, if there were no ring-fencing, this service would be exposed to the effects of local government spending cuts. We believe that the Social Fund should stay where it is.

5.3 The delivery of the new system is highly dependent on technological solutions that to a great extent lie outside the DWP. Comments to newspapers from within HM Revenue and Customs suggest a less than robust inter-departmental understanding regarding the timescale and capabilities of the new HMRC systems.

5.4 Claimants can—with justification—feel apprehensive that technological innovation can go wrong and disrupt their payments. Every effort must be made to safeguard against this. In this context, it is worrying that the DWP tends to “talk down” the scale of the necessary ICT systems development. Underestimation of the challenge would be to invite administrative mishap. We would suggest that there should be careful piloting of the new system in a small number of areas. This would require a longer timescale and robust fallback payment arrangements for claimants in those areas if problems occur.

5.5 Technologically sophisticated delivery also raises important issues concerning decision-making and appeal rights. Substantive decisions relating to a claim should not be allowed to decline into administrative actions that the claimant has no effective way of challenging. This has been a problem with Tax Credits.

5.6 Most people who are able to work wish to do so. We would like to see more emphasis on high-quality employment support—such as an extension of the Access to Work scheme—and less of an artificially high profile given to sanctions.

5.7 Passported benefits are important to disabled people, especially as they include several health-related areas such as free prescriptions and help with dental and optical charges—the last of these obviously being a particular concern of RNIB. Current rules are complex, which impacts on take-up. It is not clear to us that the proposed system based on income thresholds will necessarily be simpler, but the opportunity is there and we would urge thorough consultation on the details.

5.8 The White Paper promises that nobody will sustain cash losses as a result of the introduction of the UC. Such transitional protection is welcome as far as it goes, but does not cover losses arising from the many other changes, so its significance should not be overestimated.

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3 Disability Living Allowance reform, Cm 7984, DWP, December 2010.
6. Conclusions

6.1 The UC proposals have a number of positive aspects, but these have already been watered down in translation from the original 21st Century Welfare consultation document, notably in relation to earnings disregards. In a harsh financial climate and in the context of large-scale cuts to the benefit system overall, there is a danger that this weakening of good intentions will continue.

6.2 There are also significant causes for concern in the current proposals, notably the implications for poverty after housing costs; the interaction with Council Tax Benefit; the future of contributory benefits; the transfer of problematic parts of the Social Fund to local authorities; and a heavy reliance on all being well with ambitious ICT requirements.

6.3 RNIB will monitor developments with interest, recognising that blind and partially sighted people have much to gain and much to lose, depending on how events unfold.

December 2010

Written evidence submitted by Reform

Thank you for your correspondence dated 18 November 2010 in which you invited Reform to submit written evidence to the Work and Pensions Committee’s inquiry on the White Paper on the Universal Credit. This letter gives Reform’s response.

The key points that this letter raises are, in summary:

— The belief in the likely benefits of smart automation in the White Paper is seriously overstated. Smart automation is not a silver bullet.

— The proposed Universal Credit is poor value for money with no real evidence it will improve labour market outcomes.

— Efforts overseas to introduce a single core benefit have amounted to little.

— Simplification is the right goal but the White Paper takes the wrong approach.

This letter contains material from the United Kingdom, United States and New Zealand that highlights concerns with the depth of the economic analysis of the Universal Credit in the White Paper. The White Paper appears to overlook important institutional features of labour markets, such as the presence of segmented labour markets and discontinuities in labour supply, and key empirical results. The White Paper also gives inadequate consideration to the economic costs of potentially discouraging second earners in households from working.

Given the outlook for the public finances it would be difficult to find any other area of government expenditure where proposals with a total fiscal cost of over £2 billion per annum are being advanced without first undertaking a robust review of the evidence base for reform.

As well as this potential financial cost the time spent on pursuing the introduction of a Universal Credit will come at an opportunity cost and mean that more fruitful areas for welfare reform could go unaddressed.

Background material outlining Reform’s work on this issue is included as an attachment to this letter. This background material includes:


— A copy of the transcripts from Reform’s four post-election conferences on welfare, education, public services and the deficit and health. These transcripts, the Reform commentary on the Coalition’s first hundred days and a summary of the transcripts are contained in the document titled The First Hundred Days.

Smart Automation is not a Silver Bullet

1. There are practical barriers to the introduction of the Universal Credit. This includes the need to develop a new information technology system.

2. The proposals in the White Paper are based on a view that “smart automation” would allow changes in circumstances, such as earned income, to be monitored close to real time and the levels of entitlement and abatement to be automatically updated.

3. This belief in the likely benefit of smart automation is seriously overstated. This is aside from the poor record of attempts at implementing national information technology programmes in the United Kingdom.

4. Experience shows how difficult it can be to accurately monitor fluctuations in income and adjust levels of assistance. This can be seen in the difficulty in adjusting tax credit entitlement with fluctuations in incomes and household characteristics.

6 Speakers at these conferences included (in speaking order) Rt Hon Iain Duncan Smith MP, Douglas Carswell MP, Steve Webb MP, Rt Hon Yvette Cooper MP, Rt Hon Lord Knight of Weymouth, Nick Gibb MP, Rt Hon Francis Maude MP, Bernard Jenkin MP, Rt Hon Margaret Hodge MBE MP, Rt Hon Stephen Dorrell MP and Rt Hon Lord Warner of Brockley.
5. Further, not all important criteria for determining assistance can easily be automated without incurring significant administration and compliance costs. While, for instance, earned income and ages of children could be monitored automatically, criteria such as marital status, the length of time a child resides with a caregiver in a separated household, and hours of work are more difficult to keep track of.

6. If these criteria are to continue to be used in the assessment of entitlement then the benefits of smart automation will be limited. Failing to use these criteria in the assessment of entitlement would be seen as unfair. This would mean that, for example, in a shared custody arrangement the levels of support paid for children would not reflect the length of time for which the parent was the primary caregiver. Taking such criteria into account with an automated system would require high levels of voluntary compliance.

7. These limitations of smart automation will become more apparent as families become more diverse and labour markets more flexible.

**The Universal Credit is Poor Value for Money with No Real Evidence it Will Improve Labour Market Outcomes**

8. The trade-off between objectives for poverty alleviation, financial incentives and fiscal cost is often referred to as an iron triangle. Yet although the iron triangle is a relatively old idea, analysis based on it is limited in important ways.

9. In many cases the key trade-offs in the design of a welfare policy are not between objectives but within them. For example, improving financial incentives through a more generous earnings’ disregard may improve incentives to work for very few hours of work a week but would discourage full-time and higher wage employment.

10. This is why international evidence shows that increasing earnings’ disregards is relatively ineffective at increasing labour supply.

11. Blank and Matsu�daira (2008) found that, based on the Temporary Assistance to Needy Families reforms in the United States, increasing earnings’ disregards had little effect on the labour supply among single mothers. They noted that an increase in earnings’ disregards could motivate non-workers or low hour workers to increase their work effort, but other people with slightly greater hours of work or higher wage rates might be inclined to reduce their incomes.

12. When combined with lower rates of abatement, a major effect of more generous earnings’ disregards would be to encourage low wage, low status work. Increasing wages would be discouraged in many cases and the costs of in-work benefits would increase.

13. It may be argued that encouraging low wage, low status work would be beneficial as this work (“mini jobs”) could be a stepping stone towards full-time work. Yet research commissioned by the Joseph Rowntree Foundation has shown that the evidence base for this claim is not strong. Many workers fail to progress from mini jobs to full labour market participation. This could be explained by the segmented nature of the labour market.

14. The New Zealand coalition government has established an independent Welfare Working Group to develop a menu of practical options to reduce welfare dependency. The Working Group’s November 2010 options paper argued that emphasis should be on improving financial incentives to increase hours of work. This stands in contrast to the emphasis on more generous earnings’ disregards in the White Paper.

15. Indeed, the approach recommended in the New Zealand Working Group’s report is to improve incentives for full-time work through potentially reducing earnings’ disregards. This makes sense as most people who consider entering work will do so at a point where they earn more than the earnings’ disregard. For these people the earnings’ disregard would be “infra-marginal” and reducing its value would mean that they would be more likely to leap over the tail of benefit abatement. They would thus face stronger incentives for meaningful and full-time work.

16. This evidence from the United Kingdom, United States and New Zealand highlights concerns with the depth of the economic analysis of the Universal Credit in the White Paper. The White Paper appears to overlook important institutional features of labour markets, such as the presence of segmented labour markets and discontinuities in labour supply, and key empirical results.

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9 Bell, K et al (2007), Lone parents and mini-jobs, Joseph Rowntree Foundation, York.
12 This highlights that rather than being a smooth (continuous) function (where people will make decisions on the next hour of work) people often leap between different labour supply states or make decisions that involve larger changes in income (discontinuous functions). See, for example, Creedy, J and G Kalb (2005), “Discrete hours labour supply modelling: specification, estimation and simulation,” Research Paper 928, Department of Economics, University of Melbourne.
17. The White Paper was, for example, silent on the trade-off between improving incentives to work for different population groups. To illustrate, Table 1 of the White Paper showed that around 300,000 people in work earning below the tax threshold would face an increase in the rate at which they lose income in benefit abatement and taxes. Yet the implications of this, particularly for second earners in families, were not discussed.

18. While it is important to ensure that more families have at least one adult with a strong connection to the labour market, at least some recognition should be given to the costs of discouraging second earners from working in the labour market (including the potential loss of employment-related skills).

19. Given the outlook for the public finances it would be difficult to find any other area of government expenditure where proposals with a total fiscal cost of over £2 billion per annum are being advanced without first undertaking a robust review of the evidence base for reform.

Eefforts overseas to introduce a single benefit have amounted to little

20. In New Zealand in the two decades to 2008 the idea of introducing a single core benefit was given serious consideration. These 20 years of experience with proposals for a core benefit have highlighted how slow and difficult designing and implementing a core benefit is. The amount of work involved in fleshing out the details of such a system should not be underestimated.

21. The failure to adopt a single core benefit in New Zealand has not just reflected political constraints but fundamental problems with the concept. A key problem, particularly for the 2005 proposals, is the constraint that these reforms must have “no losers” (defined in a narrow sense of no family receiving less in transfers (before behavioural changes are taken into account) from government after reform).

22. This constraint, which has also been adopted by the UK coalition government, means that it is not possible to simplify the welfare system without significantly increasing costs to the government. The fiscal costs of ensuring no losers in the move to a universal system should not be underestimated as this implies that the minimum transfer under the new system needs to be raised to be at least equal to the largest transfer in the old system.

23. The New Zealand experience also shows how the difficulties in introducing a core benefit cannot be simply assumed to fall as information technology develops. Although technology has advanced, families and labour market outcomes have also become more diverse. Increasing population heterogeneity is a major explanation for the growing complexity of welfare systems.

24. Unless the role of the welfare system is retrenched to an unreasonable degree then some complexity is necessary in the design of welfare programmes. Different programmes exist for different purposes and employ different units of assessment (eg, individual or family), periods of assessment (eg, weekly, monthly or annually) and definitions of income and treatment of assets.

Simplification is the right goal but the White Paper takes the wrong approach

25. The poor take up of some benefits can partly be attributed to the complexity of the welfare system. Yet while the White Paper is right to highlight the need to reduce complexity the approach taken is the wrong one. Simplification needs to be an ongoing process not a one-off change (big bang).

26. Reform, following Martin (2009), believes simplifying the system in stages would be a more fruitful approach. This could involve:
- Firstly, rules for benefit eligibility should be made to conform to each other. For example tax rules should be aligned and benefits should be set on the same periodic basis.
- Secondly, overlaps between benefits should be gradually eliminated and benefits combined if appropriate.
- Lastly, the distinction between contributory and non-contributory benefits should be reviewed to allow for further simplification.

27. Some measures along these lines have already been introduced: new arrangements have been made to simplify benefit payments, improvements have been made to the way customers who move in and out of work receive their benefits and credits, including streamlining the need for officials to provide information to officials. Nevertheless, these initiatives need to be combined with simplification of the rules of programmes if they are intended to be more than mere band-aids.

13 In the 1989 Budget a Labour government announced plans to introduce a Universal or Generic Benefit. Implementation was planned for 1991. This was halted following a change of government in that year. In 1997 a National-led coalition proposed introducing a Community Wage (combining Sickness and Unemployment Benefits). These proposals were scrapped following a change in Government in 1999. In 2005 a Labour-led coalition proposed the introduction of a single core benefit (agreed by Cabinet) for introduction by 2007 (later revised to 2010). These plans were scrapped following the election of a National-led coalition in 2008.


15 Martin, D (2009), Benefit simplification: how and why it must be done, Centre for Policy Studies.
28. There is a real risk that time spent on working on the introduction of a Universal Credit will mean that more fruitful areas of reform of the welfare system go unaddressed.

December 2010

Written evidence submitted by Oxfordshire Welfare Rights

The Organisation

Oxford Community Work Agency (OCWA) is a registered charity. OCWA currently provides two principle services:

- Oxfordshire Welfare Rights (OWR).
- Barton Advice Centre (BAC).

Oxfordshire Welfare Rights provides a specialist “second tier” service on social security benefits including:

- A telephone consultancy service for workers in statutory and not for profit agencies in Oxfordshire.
- Representation for individual claimants at social security appeal tribunal hearings.
- Training courses on social security benefits.
- A telephone consultancy service for advisers within Hampshire Citizens Advice Bureaux.

Barton Advice Centre provides a “front line” drop-in service including:

- General advice on issues including housing and employment.
- Specialist advice on social security benefits and debt.

OCWA’s principle funders are:

- Oxfordshire County Council.
- Oxford City Council.
- Citizens Advice Hampshire.

Summary

1. A commitment to simplify the social security system in order to make work pay and combat worklessness and poverty is to be welcomed.

2. The White Paper lacks sufficient detail to enable an informed and detailed response. It is strong on policy aspiration but thin on evidence and explanation—the “devil will be in the detail”.

3. Universal Credit as proposed does not represent a fundamental reform of the social security system. In practice the proposals amalgamate existing benefits under a new name and tinker with their qualifying rules and administration.

4. No compelling reasons are given to suggest that amendment to existing provisions would not achieve the stated objectives and so avoid the need to introduce a new legislative and administrative structure.

5. It is not clear that Universal Credit will “make work pay” in practice for many claimants.

6. There is no evidence that Universal Credit will simplify the means test and therefore make the system easier for claimants and administrators to understand, and thus reduce fraud and error.

7. The introduction of a single “taper” and abolition of the artificial boundaries between part-time and full-time work are positive proposals.

8. The proposals are silent on key “administrative” issues including provisions concerning claims and payments, decision making and appeals and overpayments.

9. The proposals appear over reliant on information technology. The administration of Universal Credit could become even more remote from and inaccessible to claimants.

10. The time scale for the introduction of Universal Credit is overly ambitious—“less haste, more detail”.

11. The proposals call into question the future of the national insurance principle as a foundation of the social security system.

12. Proposals to replace Council Tax Benefit are of particular concern.

Universal Credit—Is it new? Will it be easier to understand?

1. No details of how Universal Credit will be calculated are provided. It appears that means tested benefits provision for the calculation of the applicable amount, income, capital and a taper will be retained [Chapter 2, paragraphs 18–20]. These rules within Tax Credits are significantly different. Drafting a single set of rules for Universal Credit presents a significant challenge.
2. Crudely, Universal Credit will simply re-integrate current means tested benefits into a single benefit.\textsuperscript{16} Without a significant simplification of the formula for calculating entitlement Universal Credit will not be easier for claimants, benefit staff and others to understand.

3. The need to provide additional support for claimants during the introduction of Universal Credit and beyond should not be underestimated. That will include “face to face” contact with DWP staff and independent agencies, such as Citizens Advice Bureaux, in addition to online and other published sources.

**Universal Credit—simpler to administer?**

4. Universal Credit could bring some simplification in administration as claimants will only need to deal with a single agency for means tested benefit.

5. However many claimants will still need to deal with other DWP offices, for example, within the Pension, Disability and Carer’s Service to establish their full entitlements. Replacement of Council Tax Benefit will duplicate administration.

6. Universal Credit will be heavily reliant on information technology. Administration will become even more remote from individual claimants within a system that is already inflexible and unresponsive to individual need.

7. The current administration of means tested benefits means benefit office staff do not have ownership of a claim or sufficient understanding of qualifying rules or process. When things go wrong claimants are often referred from “pillar to post” with no member of staff taking responsibility for resolving the problem.

8. The support that voluntary sector organisations (and others) provide to individuals to help them deal with the system is recognised [Chapter 4, paragraph 35]. In the short term at least Universal Credit will increase the demand on those agencies at a time when their resources are being reduced.

9. Advice agencies have difficulty resolving problems with the DWP because of the remote nature of much of its Jobcentre Plus service. Enhanced procedures that enable representatives to access the system will be required. At the very least this should include an ex-directory telephone helpline service for advisers similar to those already provided by the Pensions, Disability and Carer’s Service.

10. An advantage of the present system of separate benefits is that claimants may have access to some income whilst delays etc. with other benefits are resolved. Introduction of Universal Credit has the potential to leave claimants with no income while their claim is processed or other difficulties are resolved.

11. Jobcentre Plus invariably directs claimants towards Crisis Loans in such situations. It appears to have no mechanism in practice for applying the “interim payment” provision.\textsuperscript{17} Similar problems arise with Housing Benefit.\textsuperscript{18}

12. Universal Credit must include provision for “interim payments” that are simple to administer and for claimants to access; and introduce a statutory period within which payment must be made.

**Administration—Other Considerations**

13. The proposal is silent about how current legislations affecting, for example:
   - decision making and appeals,
   - claims and payments; and
   - overpayments.

are to be applied or amended within Universal Credit. Equivalent provisions within Tax Credits differ significantly.

14. The volume of amending or new regulations required should not be underestimated.

**Timescale**

15. Introduction of Universal Credit appears contingent on the introduction of HMRC’s proposed real-time information system [Chapter 4, paragraph 15]. The lack of detail suggests that the intended time scale [Chapter 4, paragraph 21] is overly ambitious.

**Housing Costs**

16. Changes to Housing Benefit already announced in the Budget and Spending Review, proposals in the White Paper and other recent policy announcements could mean that many claimants will suffer a “double

\textsuperscript{16} Income Support was introduced in 1988 and was the “universal” means tested benefit for all claimant groups (including pensioners). Housing Benefit and Rate Rebate were separate benefits but employed the same formula for the calculation of the applicable amount, income & capital. The sum arrived at by the calculation of Income Support could then be used to apply the “taper” within Housing Benefit and Rate Rebate. Many of these rules also applied to the then “in-work” benefit Family Credit.

\textsuperscript{17} The Social Security (Payment on Account, Overpayments and Recovery) Regulations 1988, Reg. 2.

\textsuperscript{18} The Housing Benefit Regulations 2006, Reg. 93.
whammy” to both their income and housing situation, for example, being made redundant and then having their housing costs restricted.

17. There is little evidence that the level of Housing Benefit payable for private sector tenancies has distorted or led to an increase in market rents.19

18. Using the benefit system as a crude way of controlling private sector rents in the absence of a significant increase in the supply of affordable rented accommodation and statutory control of rents will mean many people on low incomes, including some of the most vulnerable, will endure poorer housing conditions.

19. Poor housing with attendant problems such as poor health may increase barriers to work and reduce geographic mobility.

20. The conclusions of the Social Security Advisory Committee are noted.20

COUNCIL TAX BENEFIT

21. No detail of the proposed replacement for Council Tax Benefit is provided [Chapter 2, paragraphs 34–36]. Council Tax Benefit is no more complex than Housing Benefit. They are usually administered together by the relevant local authority. Council Tax is a centrally imposed provision.

22. A separate system of assistance with local taxation negates the objective of simplification.

23. Unless the replacement is to be heavily prescribed in order to protect the most vulnerable [Chapter 2, paragraph 36], in which case it would be simpler to include it within Universal Credit, there must be a risk that a locally administered scheme could lead to a “postcode lottery” in the types of assistance available to those on low incomes. A council could decide to provide financial assistance based on criteria other than low income.

24. A localised scheme could increase disparities between local authorities in the quality of administration (a significant issue with Housing & Council Tax Benefits).

25. A new scheme could undermine work incentives as increased income from earnings is disproportionately required to meet council tax liability.

THE NI PRINCIPLE

26. The proposals to further limit the duration for which some contributory benefits are payable [Chapter 6, paragraph 8] and proposals to change the basis of entitlement to state Retirement Pension call into question the future purpose of national insurance contributions.

27. The “value” of contributions in terms of the benefits they “purchase” has decreased over time due to piecemeal reform.

28. Further reduction may bring the national insurance system into disrepute—“I’m paying in but I’ll get next to nothing out”.

29. The future of national insurance contributions merits further consideration.

WORK INCENTIVES

30. Work can simply replace welfare dependency with in-work poverty and, in particular, fail to address child poverty.21

31. The proposals to abolish the arbitrary distinction between full time and part time work and separate “in-work” and other means tested benefits have merit.

32. The introduction of a single taper [Chapter 2, paragraphs 7 to 9] is to be welcomed if in practice it reduces the Marginal Deduction Rate for low-earning workers.

33. However the model for Universal Credit [Figure 3; Chapter 7, paragraphs 15–17; Table 1] illustrates entitlement changes only. It does not take account of additional “in work” costs (such as travel to work). Such costs can be a significant deterrent to, or unexpected consequence of, taking or increasing work.

34. Childcare costs are a significant barrier to many claimants wishing to enter work. Help available with childcare costs is to be reduced from April 2011. There remain unanswered questions [Chapter 2; paragraphs 41–46] about childcare costs that may have a significant impact on work incentives.

35. Proposed changes to Housing Benefit, housing costs [Chapter 2, paragraph 11; Annex 3] and Council Tax Benefit [Chapter 2, paragraphs 34–37] may also erode work incentives.

36. The impact of work on “passported benefits” is unclear [Chapter 6, paragraphs 14–16].

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37. Future application of the “permitted work” provisions is not addressed.
38. Simplification to the assessment of the earnings of the self-employed is not addressed. The current rules are a particular disincentive to starting or increasing self-employment (and produce similar problems when a formerly self-employed person needs to claim means tested benefits).
39. Advisers are used to undertaking “better off” calculations that take all of the costs of work into account. Such calculations require a detailed knowledge of benefit rules. Staff within DWP will require a similar level of knowledge in order to effectively advise and support claimants through the process of taking or increasing work.
40. Extensive modelling of Universal Credit is required in order to demonstrate that it will significantly increase the financial incentives of taking or increasing work and be easier for claimants to understand.

ASSESSMENT AND PAYMENT PERIOD

41. It is indicated [Chapter 4, paragraphs 12–13] that the assessment and payment period for Universal Credit will be monthly. Income such as earnings or occupational pensions are often paid monthly. However some household bills can be four weekly, for example rent. Benefits are paid weekly, fortnightly or four weekly.

42. This discrepancy between income and expenditure periods can lead individuals to experience short term “cash flow” difficulties.

43. A common period would resolve the current difficulties created by the interaction between weekly benefit and annual tax credits assessment periods.

44. Potential disparities between the assessment and payment period for existing benefits and that introduced for Universal Credit will need to be addressed.

45. A significant number of claimants will have difficulty managing their finances if Universal Credit were paid monthly. Payment at more frequent intervals should be considered for vulnerable claimants.

DISABILITY LIVING ALLOWANCE

46. We are concerned by the proposal to introduce an objective assessment for Disability Living Allowance [Chapter 6, paragraph 17; Disability Living Allowance reform Cm. 7984].
47. We have considerable experience of representing claimants at tribunal hearings in cases concerning Disability Living Allowance (DLA) and in cases concerning the Work Capability Assessment (WCA) which is already based on an objective assessment of capability.
48. We have a success rate of 86% in DLA cases at tribunal and 93% in WCA cases. This demonstrates that there are significant problems with the current assessment processes for DLA and the WCA.
49. We fully endorse the findings and recommendations of Professor Harrington’s review of the WCA.
50. No changes should be introduced to the assessment of DLA until it has been demonstrated that the WCA is working effectively.

DISABILITY AND CARERS PREMIUMS, CARER’S ALLOWANCE

51. The future of disability premiums and Carer’s Allowance is unclear [Chapter 2, paragraphs 22&27], nor is it addressed in the Disability Living Allowance consultation. Disability and carers premiums will have a significant impact on the complexity of Universal Credit.
52. There is a policy vacuum on these issues.

CONDITIONALITY

53. It is appropriate that claimants should understand and meet their responsibilities.
54. For Employment and Support Allowance provision already exists to introduce a requirement to take part in work-related activity and draft regulations have recently been referred to the Social Security Advisory Committee.
55. Individuals within the work related activity group have a wide range of capabilities. Some are close to being able to return to work because, for example, they are recovering from a short term illness. Others have chronic conditions which mean they will require significant support over a long period before they are “work ready”.

24 Cm. 7984 Ch.3, para.5.
26 Draft Employment and Support Allowance (Work-Related Activity, Action Plans and Directions) regulations 2011—copy not publically available at date of writing.
56. Regulations that introduce “work related activity” must have sufficient protection for vulnerable claimants including those who are a long way from being “work ready” and should not introduce a “one size fits all” requirement.

SANCTIONS

57. In respect of lone parents it is noted that “failure to attend [work focused interviews] is more often due to challenging circumstances than wilful evasion of the rules” [Chapter 3, paragraph 14(d)]. Similar considerations apply to claimants who, for example, fail to attend a Work Capability Assessment.

58. Whilst the current system provides safeguards for claimants who face sanctions for a failure to comply, in practice their operation is cumbersome and can leave claimants without any benefit income for significant periods of time leading to reliance on repeated Crisis Loans or “back street” income.

59. Evidence suggests that applying longer sanctions may not be effective in practice.27

60. The question arises as to what claimants who have had benefit stopped for a period will live on and, in particular, the effect on children who are part of that claimant’s household.

61. Placing claimants into debt as a result of a sanction or replacing hardship payments with loans is unlikely to increase compliance and may increase costs to another part of the public purse.28

62. Effective intervention is required at the point a sanction is being considered to establish the circumstances surrounding a failure to comply and to ensure a claimant understands and is able in practice to comply with the requirements.

63. Research should be commissioned into the destinations of claimants who are sanctioned before introducing enhanced financial sanctions.

FRAUD AND ERROR

64. Universal Credit as outlined will not simplify the means test so may have little impact on reducing fraud and error due to complexity. The level of mistakes made by staff since 2007 has not reduced.30

65. The assertion [Chapter.5, paragraph 5] that “It will become much easier for recipients and staff to understand and establish entitlement to payments meaning much of the error …. will be reduced” is not justified.

66. Claimants should not be placed into hardship and debt through having to repay overpayments caused by “official error” [Chapter 5, paragraph 19]. Current provisions that allow for recovery of “official error” overpayments within Tax Credits, including the COP26 procedures, have brought that system into disrepute and are costly to administer in practice.31

67. The application of fines [Chapter 5, paragraph 14] for a failure to report a change of circumstances is not justified or likely to be effective. Investigation of the application and effectiveness of current provisions within the Tax Credit system should be considered before inclusion of similar fines within Universal Credit.

68. The provisions for determining overpayments contained within the Social Security Act 1992 should apply to Universal Credit.

CONCLUSION

69. Whilst some of the proposals have merit there is little evidence to suggest that the expense and upheaval required to implement Universal Credit is justified.

70. Much greater detail and scrutiny of the proposals for Universal Credit is required.

71. There can be no doubt that reform and simplification of the benefit system is required. However if it is accepted that the current provisions are unsustainable then Universal Credit can be described as no more than “re-arranging the deckchairs on the Titanic”.

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28 For example, a local authority’s duty under the Children Act.
29 For example in line with the proposals accepted by the Government in The Harrington Review of the Work Capability Assessment to support claimants through the WCA process.
31 The Adjudicator’s Office Annual Report 2010. HMRC Code of Practice (COP 26) What happens if we’ve paid you too much Tax Credit?
32 Tax Credits Act 2002. Section 32.
33 Social Security Act 1992 sections 71 & 74.
Written evidence submitted by Association of Charity Officers

1. Summary

The Association of Charity Officers (ACO) is the representative organisation for about 140 charities including national, local, occupational and general charities, both large and small, all of which make grants to individuals in need—either as regular weekly payments or one-off grants or both.

Help is often required where statutory funding has failed, as well as where no statutory funding is available. Many of our members help with needs such as beds and cookers, which are also needs which may be met by the Social Fund, and so changes to the Social Fund have a direct impact on our members.

The White Paper on Universal Credits proposes that the community care grant (CCG) and crisis loan elements of the Social Fund in England be administered by local authorities rather than Jobcentre Plus.

We have a number of concerns regarding the implications of these proposals. For simplicity and brevity we have voiced our concerns in a series of questions which highlight some of the more significant aspects not dealt with by the White Paper. The questions are as follows:

2. Questions

1. Assessment Criteria

Will English local authorities adopt common principles/criteria taken from what is currently a national system, or will they be able to set up separate individual systems with no common reference points?

The Welsh and Scottish Assemblies will decide on their own arrangements and the same question applies.

2. Accountability

How can decision makers be held accountable and what transparency will there be?

Will there still be a right of independent review (a fundamental right in a discretionary system)? We hope applicants and decision makers will continue to benefit from the wealth of expertise within the Independent Review Service.

3. Customer Response

Will there still be targets for decision times (currently nine days for CCGs)?

When local authorities took over the administration of housing benefits from the DWP, some authorities had delays of many months in processing claims over a period of several years. Jobcentre Plus currently passes backlogs in one office to other office(s) to deal with, which has greatly reduced waiting times but this facility would not exist in the proposed system.

4. Service Delivery

What are the “existing delivery mechanism and structures” which authorities are expected to utilise where possible?

5. National Distribution

Will geographical distribution of the budget be reviewed (currently mostly based on actual expenditure in the mid-1980s)?

6. Security of Funding

Will funds be effectively ringfenced?

7. Previous legislation

What effect will the White Paper’s proposal have on provisions in the last round of welfare reform legislation, for example payment as of right of a resettlement grant for rehousing in certain circumstances. Many CCGs are given for needs such as being rehoused into an unfurnished property, which have no particular local dimension.

8. Effective Consultation

We are told that there will be a consultation on the Social Fund but how can there be time for this when the next Welfare Reform Bill, based on this White Paper, is due to be published in January?
OTHER ISSUES

The White Paper states that crisis loans have almost tripled since 2006 with little evidence of an underlying increase in need, but we understand that, until very recently, something like a third of crisis loans were awarded to meet the need for income caused by DWP delays in processing benefit claims, which can hardly be described as “poorly targeted and open to abuse”?

The Office for National Statistics’ recent family spending survey shows that of the 10% of poorest families, only 30% have computers with online access. How will the other 70% have access to universal credits when other methods will only be available exceptionally?

December 2010

Written evidence submitted by Homeworkers Worldwide

SUMMARY

The Northern Homeworking Project is concerned at the proposals in Annex 3 of the White Paper regarding the treatment of self-employed income. We do not believe it is realistic to assume the self-employed earn at least the National Minimum Wage for the hours they work, especially when they are just getting established.

We are concerned the proposal will discourage low-earning self-employed people from declaring their work. We recommend the Government calculates benefits for the self-employed based on actual earnings (after expenses) rather than hours worked, in line with its approach to employees on PAYE.

HOMEWORKERS WORLDWIDE: NORTHERN HOMEWORKING PROJECT

Homeworkers Worldwide (HWW) is a UK-based NGO that exists to support homeworker organisations around the world. We work with homeworkers who are organising for visibility, recognition, and to improve their working and living conditions.

HWW is currently running an Oxfam funded project in the UK, the Northern Homeworking Project. We are working with homeworkers across the North of England to identify the obstacles that make it difficult to earn a living from home, and to lobby for policies that address these obstacles.

A homeworker is anyone who works in their own home to earn a living for themselves and their family. Our focus is on the lowest paid homeworkers. Some of these are working for an employer, usually paid by piece rate. Some of the women we work with are working on their own-acount, sewing or catering to order for example. Homeworkers are usually women and the most common reasons given for needing to work from home are childcare or other caring responsibilities, and long-term health problems or disabilities.

IMPLICATIONS OF GOVERNMENT PROPOSALS FOR THE SELF EMPLOYED

We support the principle of an increased earnings disregard and simple taper ensuring work always pays, as outlined in the white paper. We do have concerns about some of the implications of the proposed changes for women’s income in particular, but we understand that a number of organisations are already making detailed responses on these points so we do not intend to do so here.

One issue which we think is of specific relevance to the women we work with is the way the white paper deals with the self-employed, which is why we are focussing on that particular issue here.

The Universal Credit system will rely heavily on the use of PAYE, and it remains unclear how it will operate for those who are not on PAYE, either because their employer does not use it or because they are self-employed.

There is little detail on how the new system will operate for the self-employed, but the White Paper says:

“For Universal Credit we are considering introducing a floor of assumed income from self employment for those registering as such. The floor will be set at the National Minimum wage for the reported hours; clearly profits above this limit may be received and reported.”

We are concerned at the assumption that those who are self-employed, either starting up a business or working on their own account, are earning at least NMW.

The women we are in contact with who are working at home on their own account sewing clothes to order, making food, selling beauty products etc are earning far less than NMW. We have spoken to a range of groups working in this area, and they have confirmed our belief that, in many cases, women working at home in self-employment work very long hours, rarely calculate the number of hours they work and have very low earnings, particularly when expenses are taken into account. In the long-term homebased businesses can become profitable, and may even grow to provide employment for others, but in the beginning stages—for the first few years—earnings per hour tend to be very low.

We believe the assumption of an NMW floor will:

— Mean low income self-employed people receive less benefit than they are entitled to.
— Act as a disincentive to low income self-employed people to declare their work.
— Act as a disincentive to low income self-employed people to declare the real hours they work.
— Act as a disincentive to those on benefits to consider self-employment as a route into work and, in the long term, out of poverty.

We believe this would undermine the Government’s attempts to encourage the formalisation of existing informal work, to support people as they seek to work their way out of poverty, and to encourage enterprise and entrepreneurship. At a time when jobs are in short supply those seeking to create their own employment should be supported and encouraged in their attempts to do so.

We understand the Government is considering assuming an NMW floor for the self-employed to simplify the application of conditionality. However, we would argue that for the system to work it needs, first and foremost, to be fair for those who play by the rules, including those who are self-employed. How the Government deals with those it believes are abusing the system should be a secondary consideration—it is wrong to introduce an unfair system simply because it is easier to enforce.

We recommend the Government calculates benefits for the self-employed based on actual earnings (after expenses) rather than hours worked, in line with its approach to employees on PAYE.

It has not been possible to conduct fresh and extensive research on this issue in the few weeks since the White Paper was published, but we have instead endeavoured to speak to other organisations with experience in this area to collect their feedback on the Government’s proposals. A summary of the organisations consulted and their views on the issue is attached. Their comments reinforce our view that it is not realistic to assume those in homebased self-employment are earning at least the minimum wage for each hour they work, especially in the early stages.

December 2010

Written evidence submitted by BENX Benefit Review Group

1. This letter is a response in respect of the above, from the BenX Benefit Review Group. Thank you for the opportunity to respond. For information, I enclose a copy of BenX’s Terms of Reference.

2. Please note that BenX is comprised of a number of local authorities, so this response comprises a range of views.

3. Summary: Whilst supporting the need for welfare reform to make the system more straight forward for customers to navigate, and for practitioners to administer, BenX has serious concerns about the inclusion of Housing Benefit within Universal Credit. Housing Benefit is inextricably linked with local housing policy—such as homelessness and housing strategy issues, and central administration would lose vitally important links with other local authority departments (eg housing, homelessness), local landlords and other housing providers (eg housing associations). BenX also has major concerns regarding internet being the main method of application.

4. Localisation already has a range of advantages, including providing tailored services to local communities, using local knowledge and intelligence to inform administration, investigation and enforcement. This enables strict forms of scrutiny and accountability directly and immediately answerable to stakeholders. Local councils have an extensive and established network, successfully providing rented accommodation, especially to people with low incomes. The principles of local level accountability and responsiveness work well. It is at a local level that collective actions are taken to make more housing available and affordable, to attract employment as well as to co-ordinate the various local and national agencies in supporting the local community.

5. Local authorities may be the best place to deliver more benefits/single benefit. They have a proven record of performance improvements, reducing costs, being responsive to local needs, links into other local strategies (eg housing), already collect most information needed to assess other benefits, links with other departments (eg Council Tax, Local Authority housing), more autonomy than centralised agencies. Addressing and dealing with many social, financial and community issues that changes to welfare and housing reform will present demand the personal touch that is only available via local authorities.

6. Having a key element to the localism agenda, welfare benefits and especially Housing Benefits centrally administered and centrally controlled removes the cohesive element of the localism package and may therefore not reduce costs, not be more efficient, nor be an effective means of delivering welfare support to the most needy within our society at times of great uncertainty.

7. The principles of self-service via the internet are a major concern, and BenX believes that self-service will increase fraud—whereas face-to-face contact would reduce fraud.

8. Online services should be encouraged, but it needs to be recognised that not everyone uses such services and the needs of vulnerable persons should be considered. Data shows that 27% of households still have no internet connection at their home and some six million people aged over 65 have never used the web, so introducing measures to provide services online may be out of step with consumers, who in order to gain general web access, are going to have to spend at least £1,000 for a PC and printer, as well as sign up for a monthly broadband charge.
9. Therefore, it would perhaps become more difficult than it is currently to apply for welfare benefits and, as a consequence, many in need would be excluded from the system due to their inability to gain access to suitable online facilities or their ability to understand a system that may be removed and remote from their individual circumstances and needs.

10. Some other questions that BenX feels need to be answered, are:

11. What will happen to recovery of existing overpayments at the time of a claim transferring to Universal Credit?

12. Will people in supported accommodation will be subject to the same application process?

13. Will claimants still be able to claim underlying entitlement for earlier periods, once they move on to Universal Credit?

14. Will the Government draft regulations requiring software houses to continue providing HB Software until a reasonable period after the last claims have transferred to Universal Credit?

15. Would TUPE regulations apply to any LA staff as a result of these changes?

16. I hope this BenX Benefit Review Group’s response is useful, but please do not hesitate in contacting our group if you would like to discuss any of this letter further.

December 2010

Written evidence submitted by Govtech Solutions Limited

RESPONSE TO WELFARE REFORM WHITE PAPER

In simplifying welfare, Government has two policy objectives:

— To make it easier for people who wish to work to prepare for and take a job, sure in the knowledge that they will be better off (simplification).
— To make it harder for people to unreasonably refuse to take a job (conditionality).

The desired policy outcomes from achieving these objectives are:

— Lower welfare expenditure from having more people in work.
— An end to workless households.

We believe the Government may achieve its policy objectives and yet fail to achieve the associated policy outcomes, because its delivery strategy is fundamentally flawed.

We support plans for a Universal Credit, to replace a plethora of entitlements. It’s an idea whose time has come. It is difficult to argue that a single payment with a common rate of withdrawal would not be easier for people to understand.

We think proposals to administer the Universal Credit through a single, centralised DWP entity are mistaken and based on IT development and human behavioural assumptions that are wholly simplistic and unrealistic.

As important, the Government’s reforms and strategy fail to resolve two fundamental problems with the existing welfare system. For this reason, reform itself will probably fail.

Firstly, the reforms and the strategy do not resolve the issue of Welfare budget ownership. Welfare is and will remain “a system”. Nobody owns the budget. It’s one of the causes of the mess we’re in. The Welfare budget should belong to local communities because welfare makes a difference to communities. Whether recipients are in crisis, ill, disabled, between jobs, long-term unemployed, or have simply gone off the rails, the impact is felt at the community level and welfare helps to shape communities. In some areas, welfare is the largest source of income. Yet communities do not feel that the money is “theirs”, or that it is being spent on their behalf. It’s just a system. People who opt out, or get left behind, can blight communities, yet communities are powerless to anything about it. Welfare reform should change this and empower communities to take responsibility for their own.

Secondly, the reforms and the strategy do not resolve the issue of Welfare budget management. This is not a question of administration but of active management. A private company with a budget of £90 billion would set itself a more ambitious objective than accurate payment. It would seek a return on the expenditure. Management effort across agencies which dispense welfare payments is devoted entirely to customer service (paying on time) and audit (paying accurately). This is set to continue under the new system. Government reforms fail to recognise that if ten residents move off welfare into work, it transforms a street and communities are therefore uniquely motivated to obtain returns from Welfare expenditure. Local communities should own and manage the £90 billion Welfare budget.

There are several groups of people at whom reform is targeted, including those who wish to work but for whom there are no jobs locally; those who refuse to work; those who would work but regard the risks as too high. The government’s reforms really only address the last group. They will fail to address the first two groups.
effectively. To bring an end to workless households, work must be found for people who live in areas where there are no jobs, as well as oblige those who do not wish to work to do so. This is conditionality.

Conditionality cannot be managed from the centre, or by private companies. Private companies are unaccountable to local communities and civil servants working for large centrally-run government departments are neither motivated, nor paid enough, to take on the tough or the devious workshy. If workless households are to become a thing of the past, local support and accountability for conditionality measures is essential.

How might this be achieved?

First, and in accordance with the Government’s Localism agenda, the new, simplified welfare system and the budget to administer it should be handed to Local Authorities to manage on behalf of their communities.

Second, and in return, Local Authorities could be given a new statutory duty to minimise economic inactivity, similar to their responsibility to house the homeless, and instructed to use this power to bring an end to workless households. (Or could this fall under the new General Power of Competence provisions?)

Third, Government should agree the rules that determine Welfare Subsidy payments between itself and councils, including withdrawal rates when a person moves into work.

Fourth, councils should have discretion to vary application of these rules, subject to any additional costs falling outside Subsidy arrangements.

These changes in strategy will engender both ownership of the welfare budget and accountability for effective management of expenditure. Instead of a subsistence payment, welfare can become a £90 billion catalytic for social cohesion and regeneration. A centralised system will not achieve this.

The Welfare budget will belong to local communities who will use it to bring an end to workless households. The consequences of long term unemployment are not the Government’s problem anymore—they’re yours. Locally elected Members will be accountable for how well the welfare budget is spent and for dealing with those who cannot find, or unreasonably refuse to work. Local Authorities, in partnership with local employers, education providers, private sector placement experts and the third sector, would be able to tie welfare payments, low cost housing, school places and social support to promote employment, mobility, training and work experience, building a skills base to meet local needs and attract inward investment.

Councils will be responsible for enforcing conditionality measures that the local community has agreed to via consultation and answerable to their electorate for this. If jobs are unavailable, or individuals refuse to take them, councils may be obliged by their local communities to engage people in economically active or socially useful activities. For example, these might include helping the elderly to live in their own homes, running an after school sports club, mentoring the young or a single mother, reducing landfill, improving parenting skills, learning to read, write, cook, swim, cleaning up graffiti, planting trees, maintaining parks, marshalling community events; the list is endless but, in an age of austerity, communities are likely to embrace the exploitation of conditionality for community good. Indeed, with ownership of the budget, they may demand it.

Further measures to enforce conditionality, such as eviction, suspension of benefit, provision of vouchers, etc, must also be subject to community consultation if such enforcement is to command local support.

Simplifying welfare is not a policy objective in itself. It is but one component of a means to an end. Clear ownership of, and accountability for, welfare expenditure are both equally important in bringing an end to workless households. Neither is currently part of the Government’s plan.

December 2010

Written evidence submitted by the City of York Council

Please find below City of York Council’s response to the Government Consultation: 21st Century Welfare.

Question 1—What steps should the Government consider to reduce the costs of the welfare system and reduce welfare dependency and poverty? Page 15

— A single gateway for claiming is a good idea and could reduce the cost of administration.

It could also be a single point of failure unless all angles are properly considered.

For example, if a Job Seeker Allowance claim is delayed at the Department of Works and Pensions, the customer can get Housing Benefit and Council Tax Benefit paid by the Local Authority—there must be a safety net to ensure that accommodation is secured.

— Universal benefits such as Child Benefit and Winter Fuel payments could be reviewed in order to reduce expenditure. Households with higher income levels could be made ineligible.

— Review prescription charges—prescription charges are free for patients who have life threatening conditions regardless of their income and circumstances. This is right and proper. However, not only are the prescriptions that relate to their condition free but all their other prescriptions too.
When welfare budgets are under such pressure it is inappropriate to pay these benefits to everyone regardless of income.

— Reintroduce rent controls.

Unfettered Private tenant rents have increased welfare spending exponentially.

— Working for benefit payments in order to promote the work ethic.

Claimants could be provided with compulsory and practical non-profit making work experience, such as working on social projects for the benefit of the community. For example, removing graffiti or clearing unused ground in cities to create pocket gardens.

This work experience could be made compulsory for those who are able to do it.

Local Councils could work in partnership with the Government to make this happen.

Question 2—Which aspects of the current benefits and Tax credit systems in particular lead to the widely held view that work does not pay for benefits recipients? Page 19

— It is low pay that makes the benefits and Tax credit systems more attractive. Low pay is endemic throughout certain areas of the country, especially in the North where traditional industries have largely disappeared. In many areas, such as York, this leaves the hospitality industry and the retail trade who tend to pay the minimum wage.

If £100 rent and council tax is paid by benefits, and a single unemployed person gets nearly £70 per week benefits for living expenses, that customer would have to earn a minimum of £10,000 per year. This equates to a 37-hour week on the minimum wage of £5.80. Assuming that full time employment is available, some customers, given a choice, will not work for largely the same amount that they can get on benefits.

In some cases single parents and couples with children would need to get a gross pay in the region of £30,000 (sometimes more) to equal the benefits that they receive.

— If claimants move on to low pay they will lose the extras like free school meals, prescriptions, and school uniforms.

For example, the cost for three children when free school meals stop is £32.25 per week, add to this car parking at £6.50 per day or bus travel at £13.00 per week. How is this made up for financially?

— Interruption of benefit payments causes hardship.

The transient nature of employment means that customers have to have their benefits continually re-assessed as they go in and out of temporary work and short-term contracts.

Juggling low pay and smaller amounts of benefit is a hard way of life.

Question 3—To what extent is the complexity of the system deterring some people from moving in to work? Page 20

— Having to make claims at more that one agency does put some people off. Generally these people have low incomes and “can get by without the hassle.”

— A lack of “joined up” and inconsistent approaches to Benefits and Tax credits legislation.

When Tax Credits were introduced claimants were told that they did not have to report changes in circumstances unless their income increased above a certain notified amount.

As pointed out by Local Authorities at the time, this ran contrary to Housing and Council Tax benefits legislation where all changes in circumstances, however minor, had to be reported and claims re-assessed.

Customers became confused and often distressed and this led to more “fraud” and error.

— The affect of the complexity of the system in deterring people from moving into work is overstated where customers move into a full time permanent job—due to partnership work and improved processes.

Return to work advisors as part of the improved in and out of work process estimate the amount of Tax Credit eligibility informing customer choices before they take work. Does this paper take this into account?

— Low pay and short-term contracts deter people from moving off benefits.

The changing nature of the job market with seasonal and part-time temporary contracts has a greater impact than the complexity of the system.

The real time collection of Pay as Your Earn data is crucial to the success of an effective and efficient universal credit.

— Legislation is complex.

Much legislation is absolutely necessary. It is complex but is needed to stop abuse of the system and to protect the public purse.
For example, Housing Benefit Regulations 7 & 9 looks at contrivance and commerciality in relation to tenancies.

Other legislation is in the spirit of this reform, for example 13 week unrestricted Housing Benefit protection for customers who could afford the tenancy before they fell on hard times eg before they were made redundant and 52 week protection if they are bereaved.

Question 4—To what extent is structural reform needed to deliver customer services improvements; drive down administration costs and cut the levels of error overpayments and fraud? Page 21

— Automation of earnings information. The real time collection of Pay as You earn data is crucial to the success of the universal credit proposal.

The paper suggests that if this is not achieved the system can still work. Whilst it would achieve an amalgamation of benefit assessment and payment it would not solve the problem of “late” reporting of changes in circumstances caused by varying wages and temporary employments.

— The report mentions the development of online services. This would be needed to lessen the number of enquiries that a centralised system would have to handle.

— The proposal does not make clear what will replace direct credits to rent and Council tax accounts.

If these are to stop there could be massive consequences; on Councils, in the collection of Council Tax revenue affecting all budgets; on rental income for social landlords and registered providers.

The Local Housing Allowance has shown that people can’t suddenly manage their finances if they couldn’t before. Although LHA is all paid to claimants, it is not always with the desired outcome—this will affect all customers on Housing and Council Tax Benefits.

— There would be a need for structural changes at Local Authorities depending on the level of their involvement following reform.

It would appear that Councils would have to employ staff to input Council Tax data (and Local Authority rent rebates) into accounts?

— Legislation needs to be joined up to make it fit for purpose.

Question 5—Has the Government identified the right set of principles to use to guide reform? Page 24

The Government’s principles to guide reform: to increase rewards for work; incentivise those who work and save; promote fairness and positive behaviours; support the vulnerable; and automation of processes and the provision of self serve (where customers are capable of this) cannot be argued with.

— There is not enough about instilling the work ethic and helping people to find real longer term employment.

— The report mentions rewarding people for saving and buying their own homes but doesn’t say how.

Question 6—Would an approach along the lines of the models set out improve work incentive and hence help the Government to reduce costs and tackle welfare dependency and poverty? Which elements would be most successful? What other approaches should the Government consider? Page 32

Universal Credit/Disregards and Tapers

— A single gateway for claiming is a good idea and could reduce the cost of administration.

It could also be a single point of failure unless all angles are properly considered.

For example, if a Job Seeker Allowance claim is delayed at the Department of Works and Pensions the customer can get Housing Benefit and Council Tax Benefit paid by the Local Authority—there must be a safety net to ensure that accommodation is secured.

— Having a view of total income should mean that the system is fair and less subject to abuse but would need Automation of earnings information. The real time collection of Pay as Your earn data is crucial to the success of the universal credit proposal.

— The use of Earnings and benefit disregards are already well established.

— A single rate of withdrawal will make it easier for customers to choose to enter into work.

— Currently due to the way that Tax Credits interact with benefits and earnings someone at national minimum wage would be less than £7 better off if they worked 16 extra hours and earned an extra £92.

— We have calculated that the single unified taper would result in a claimant keeping £23 of their extra £92 earnings rather than £7. Dec 10 taper changed to 65%.

— There are hidden extra costs when working. If the taper is set at 75% it’s not generous enough to induce people to work—car parking at £6.50 per day, or bus travel at £13.00 per week, three children on free school meals £32.25, school uniforms, prescriptions.
Many customers will stay on low pay and will not progress because of endemic low pay in certain areas of the country.

Benefit claimants may have to work longer hours than other workers in order to live because of the obligation to increase their earnings.

Seasonal work in tourist areas provides jobs where there is little or no scope for promotion or increase in pay other than by increasing hours worked where available.

Automated payment—it can be easier to budget monies that come in at different times.

Child Tax Credits are generally paid to women and men get the Working Tax Credits. It won’t help child poverty unless the money is equitably distributed.

Tax Credit is not a benefit. There used to be a married tax allowance that was replaced by the child tax credit allowance for those on middle incomes. If this is removed from “higher” earnings then these families get no tax breaks. The Tax Credit system is viewed differently to welfare benefits.

The report mentions the development of online services. This would be needed to lesson the number of enquiries that a centralised system would have to handle.

Where are the safeguards under the universal credit?

Why is this proposal so sketchy—where is the balance of the report?

Single working age benefit/Mirrlees model (far less generous than current Income Support levels)/Single benefit (LHA shows that the use of a median doesn’t work.).

Why are there no examples worked up under each proposal? so that proper comparisons can be made. It is impossible to compare these models and it seems weighted towards the Universal Credit proposal. The Universal credit seems to be government’s preferred option.

Mirielses model

The end of contributory benefits will result in the expansion of U.S.A. like employment insurance schemes—which is another tax on people who work.

The end of contributory benefits will potentially result in more means testing rather than a straight contributions check.

The government has not considered a time limited welfare entitlement.

We have questions:

How will DWP know that a customer is liable for Council Tax?—This could result in additional unnecessary work for L.A. s depending on the intended payment mechanism.

Not everyone has access to computers—alternate routes to on-line claiming must be available. What about rural areas where Internet access is poor?

Focuses on working age customers—pensioners are not covered yet they account for 52% of the benefits budget. Is there any intention to reform this?

We will have a Two-tier welfare system.

Question 7—Do you think we should increase the obligations on benefit claimants who can work to take the steps necessary to seek and enter work? Page 36

Yes—as long as expectations are reasonable and possible and customers are equipped or trained to look for work.

Who decides what are reasonable hours and individual factors?

What is the definition of vulnerable?

Eg a 19 year old who has no qualifications and has literacy and numeracy problems is vulnerable—where will they get a job?

Eg seasonal work picking vegetables is available but they can’t get to the farm as it’s on the outskirts and there are no buses—is it reasonable to expect them to walk four miles to work and back?

Question 8—Do you think that we should have a system of conditionality which aims to maximise the amount of work a person does, consistent with their personal circumstances? Page 36

Conditionality is right in principle as long as conditions are reasonable and possible.

Conditionality in itself will not instil a work ethic.

Help customers to learn to navigate job sites on the Internet from the time they sign on. Older claimants often do not have the Internet at home, are not automatically offered help and are too proud to ask. Help and motivate them earlier in the process.

Where is the availability of employment for everyone on benefit who is capable of work?—ie not vulnerable.
If a lone parent can work four hours a day what job can they get?—How is availability matched to the job markets?

Providing job experience that is non-profit making could fill this gap.

— Low paid and manual work does not usually have promotion prospects, therefore the only way to increase pay is to work more hours. Up to 48 hours per week for minimum wage—could impact on available jobs.

— There is a lack of mobility for some customers in getting more or better work due to family circumstances or child care (free child care provided by family).

— Increasing part time work is cited—this pre-supposes that full time work is available.

— Will customers be expected to take multiple part time jobs to satisfy conditions?

— Is the data for job availability used in this report up to date?

— How do you withdraw benefits permanently without the social consequences being too high?

Question 9—If you agree there should be greater localism what local flexibility would be required to deliver this? Page 36

— There are no details or serious proposals—Local access is seriously limited following the restructure of the DWP.

— There is no balance in this suggestion. Do Local Authorities have a role to play? Could L.A.s enter into local partnerships with employers to get customers back into work

— The options are not explored sufficiently in this paper. Page 30

Question 10—The Government is committed to delivering more affordable homes. How could reform best be implemented to ensure providers can continue to deliver the new homes we need and maintain the existing affordable homes? Page 37

— Government support for the provision of affordable homes is a laudable aim but hard to reconcile with public spending cuts.

— This question seems incongruous with the rest of the report—a reduction in public spending plus perceived “threats” to the payment of rents and the risk of rent arrears.

Payments direct to landlords must continue where the customer chooses it.

Social landlords and registered providers need to be re-assured that payment of rent will continue if a universal credit is implemented. This report suggests that there will no longer be payments of Housing Benefit direct to landlords but that a Housing credit that will be amalgamated into a universal credit payment to the claimant.

The Local Housing Allowance has shown that people can’t suddenly manage their finances if they couldn’t before. Although LHA is all paid to claimants, it is not always with the desired outcome—this will affect all customers on Housing Benefits.

Question 11—What would be the best way to organise delivery of a reformed system to achieve improvements in outcomes, customer service and efficiency? Page 43

— Ensure that all IT software is tested, in place and integrated before the go live date.

— Consider the impact and do risk assessments on all partners and stakeholders.

— Recognise that it does constitute a major IT project and act accordingly.

— Resource the implementation adequately making sure that there are additional staff to deal with customer enquiries.

— HRMC real time pay as You Earn records system underpins the success of this proposal but is dismissed on page 34. December 10 ironically the small employers who are to plug the job gap will not have this technology.

— Link these proposals to benefit expenditure cuts in the budget.

Past experience of national IT projects and benefit changes show that the risks are great and should never be under estimated.

December 2010
Written evidence submitted by J. Millar and T. Ridge

1. Our main points refer to the administration and delivery of the proposed Universal Credit, in particular the discussion in Chapter 4 of the White Paper. Our concerns relate to whether it will be possible to deliver the Universal Credit as proposed, and to the likely impact of the delivery model on those families for whom this will be a substantial component of the family income.

2. We are academics at the University of Bath and have many years of experience of researching the support for low-income families through the social security and, more recently, the tax credit systems. Our evidence here draws upon our recent study examining the challenges that face lone mothers in seeking to sustain employment over time. This project includes three rounds of in-depth interviews with a sample of 50 low-income working lone mothers conducted between 2003 and 2008.

3. The main aims of the study were to examine the impact of paid work—and for some job loss—on family life and living standards for lone mothers and their children over time; and to explore how lone mothers and their children negotiated the everyday challenges of sustaining low-income employment over a period of around five years.

4. The research has given us a rare opportunity to understand the dynamics of employment from the standpoint of the families themselves and to explore how they manage financially and in other ways. These lone mothers and their children are very much representative of the “hard-working families” that the Universal Credit is intended to support. These women made the commitment to work in order to improve their situations and to create better lives for themselves and their families. But low wages and insecure jobs can make it very difficult to stay in work and, even after four to five years, many of these women were still struggling to achieve an adequate and secure standard of living in work.

5. The experiences of our sample of lone mothers clearly illustrate the importance of the working and child tax credits to the incomes of these, typically low waged, lone-mother families. The women could not have entered, or sustained work, without the financial support they received from the tax credit system. Tax credits made a huge difference to their incomes. But our findings also highlighted some of the tensions and practical difficulties that the women faced in coping with the tax credit system.

6. These problems with the delivery of tax credits were ongoing over the whole period of the study, not just when the women started work. The difficulties included late and incorrect payments, payments that varied in inexplicable ways, reductions in awards for overpayments, and lack of detailed information to enable recipients to understand their awards. These failures of the tax credit delivery system led families into debt and caused great anxiety for some. This was especially true for those women who were very low paid, as would be expected, as these families were particularly reliant on their tax credit awards.

7. The White Paper argues that the current system is complex and that the radical reform is needed “to improve work incentives and make the system genuinely simpler” (Cm 7957, page 12). The main features of the proposed Universal Credit include:

   — A single system covering people both in and out of work, with no need to claim different benefits in and out of work.
   — Claims made on the basis of households rather than individuals.
   — Online claims with a single application form.
   — “Recipients will report significant changes of circumstance online. For changes of circumstance such as moving into work, losing a job, having a child or becoming sick, in most cases there will be an automatic re-assessment, providing a faster and more reliable experience than at present.” (page 34)
   — Monthly payments.
   — “Recipients who have earnings from employment will have those earnings automatically taken into account. We intend to use HM Revenue & Customs proposed real-time information system to identify earnings and to calculate the net Universal Credit payment due by applying the appropriate taper to the gross payment. This means that those recipients who receive earnings through Pay As You Earn will not need to inform us for payment purposes if the amount of their earnings change. Recipients will, though, still need to tell us about other changes to their circumstances which affect their entitlement to benefit, or the conditions they must meet.” (page 35)

8. There is clearly much detail still to be worked out about how this will operate in practice, and the changes in IT and other systems that will be required. Based on our research we have two main concerns about the proposals. First, it may prove very difficult to deliver the Universal Credit effectively. The experience of the delivery of tax credits does not appear to have been fully taken into account and in particular the extent to the

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34 Funded for two waves by the Economic and Social Research Council (RES-000–23–1079) and for the final wave by the Department for Work and Pensions www.bath.ac.uk/casp/projects/current/workwelfare/FamilyWorkProject.html

Universal Credit system will have to cope with changes in circumstances seems to be somewhat underestimated.

9. Even if HMRC can provide real-time information on changes in earnings, it will still be necessary for recipients to notify other changes that might affect entitlement. This will be substantial and the Universal Credit system will have to manage a large volume of changes in circumstances. This was one of the factors that hit the tax credit system hard. With hindsight, Baroness Hollis, former DWP Under-Secretary of State, recognised this: “It is fair to say that when we introduced the Tax Credits Bill we did not predict that 50% of lone parents would undergo more than a dozen changes in circumstance a year.”

10. Past experience as well as research shows that people do not always notify changes in circumstances immediately these happen, for a range of reasons, including lack of knowledge of the rules. Some changes are themselves short-lived or unstable. For example, in our study some children moved between living with their mothers to living with their fathers, and back again, in relatively short periods of time. People, including partners, may move in and out of households over a period of time. Childcare arrangements often vary over the course of a year.

11. There is a balance to be struck between taking account of changes in circumstances and simplicity of design. The White Paper does not provide sufficient information on this important point. But if the intention is to take changes in circumstances into account as fully and quickly as possible, this will severely undermine administrative simplicity. As with tax credits, there will inevitably be underpayments and overpayments, as changes in circumstances work through to awards and payments, and these will have to be reconciled in some way. It is hard to see how the delivery problems of the tax credit system will be avoided or overcome by the White Paper proposals.

12. This lead onto our second set of concerns, which relate to the impact of the proposed delivery of Universal Credit on families. Obviously the most important aspect of this is the level of award—it is the amount of money that families receive that is most important in supporting their living standards. But our research has also shown that security and reliability of income is very important to poor families. Managing on a low income is made much more difficult if that income is subject to change and instability.

13. Transparency and clarity in rules and regulations are particularly important. Our study shows that many of the mothers did not clearly understand the rules of tax credits and were unsure about how much they were entitled to and in particular why payments changed. This made it very difficult for them to budget for changes and also made them wary of even small employment changes—such as taking on extra hours—due to uncertainty about the impact of such changes on their tax credit payments. The Universal Credit will encompass a wide range of entitlements in one payment and will therefore need to be very transparent and straightforward for claimants to understand, negotiate and if necessary appeal against award decisions.

14. As noted above, if the system is highly responsive to changes in circumstances, recipients will find their payments very volatile. It was problems caused by that sort of insecurity in tax credits that created so many problems for the families in our study, sometimes to the point of putting at risk their capacity to stay in work.

15. The Universal Credit will be a single system, replacing Income Support, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit. That does provide for greater administrative simplicity but it also means that it is all the more essential that the system works properly, accurately, reliably and efficiently. If it does not then the impact on the families, and especially the poorest families, could be considerable hardship. The families in our study coped with the problems caused by tax credits either by juggling other sources of income, including other benefits, or by going into debt. But if there is only one system, and that lets you down, then debt is the only alternative.

16. Finally, the Universal Credit will be paid monthly, which will be very challenging for many people in terms of family budgeting. Many of the women in our study were managing on what were often low incomes for relatively long periods of time. Some expenditure, including in some cases child care, could not be easily postponed or met over longer time periods.

17. We think that it is important for the Select Committee to consider these crucial issues in the design and delivery of the Universal Credit and to stress to the government the importance of learning the right lessons from the tax credit system, and using these to design a system that really can cope with the volume and nature of the demands placed upon it. If not, we will face the same sort of problems as tax credits, but probably on a larger scale.

36 http://www.publications.parliament.uk/pa/ld199697/ldhansrd/pdvn/ld06/text/61023-0012.htm
37 House of Lords, 23 October 2006.
38 Although it can also be argued that simplification for its own sake is not the best way to achieve other more substantive policy goals. Millar, J. 2005. “Simplification, modernisation and social security”. Benefits, 13, pp. 10-15. http://opus.bath.ac.uk/1191/
larger scale. It is important, and socially just, that the support available to those ‘hard-working families’ in low-paid work is reliable, stable and secure.

*December 2010*

**Written evidence submitted by Surrey Welfare Rights Unit**

1. Surrey Welfare Rights Unit is a specialist welfare advice service that provides services to the advice sector across Surrey and the surrounding areas. The Unit is a member of Citizens Advice. The advice team hold significant expertise in social security law and practice. The Unit responded to the Green Paper 21st Century Welfare and this response can be accessed on the website www.swru.org.

2. We are submitting evidence to the Committee on the White Paper “Universal Credit: welfare that works”, as this welfare reform is wide-reaching and will affect the most vulnerable citizens. Our main concern, which we will comment on in more detail, is that the balance between conditionality and support has not been reached in these proposals, and that the fundamental principles of welfare rights through social insurance and the expectation of a safety net through means-testing have in large areas been removed. At this early stage we would also like to state that there are still significant areas in the outline of the Universal Credit where any detail is entirely missing, a point made earlier in responses to the Green Paper. This lack of detail needs to be addressed now in order for there to be a full and transparent consultation on the proposals before any implementation begins.

3. The White Paper in several places makes reference to the fact that the principle of simplifying the benefits system was supported by the majority of respondents to 21st Century Welfare. It is unlikely that anyone who has worked with benefit claimants, claimed benefits themselves or studied the complexities of the system would not support the principle of simplification. Without sufficient financial levels of benefit, however, simplification will not create a healthy and aspirational workforce. There are proposals in this White Paper that purport to incentivise part-time work and entry to employment for those currently precluded or who can see no gain in small amounts of work. This focus on part-time work at the expense of addressing current in-work poverty, especially among families, and the need for full-time work in order to float off means-tested benefits could result in the Universal Credit not achieving less “welfare dependency” at all.

4. There are many instances where the White Paper refers to, and uses, examples of 10 hours work. In practice, it is difficult to see how a significant number of non-working households will be incentivised via Universal Credit to move into only a few hours of work each week. Currently, workless households mainly consist of households where there is disability, caring responsibilities or a lone parent with a young child. Workless households that have mandatory jobseeking conditions presumably will still have to actively seek full-time work in order to continue to receive Universal Credit. Households where someone is incapable of work or has limited capacity for work now have more generous permitted work earnings disregards that allow those claimants in most cases to undertake work up to £95 per week without means-tested benefits being affected. Carer’s Allowance claimants can earn up to £100 per week without benefit being affected. It is unclear in the White Paper what the Government’s intentions are regarding carers benefits. Next year, lone parents with a child over five will be expected to look for work, albeit within school hours, but this is still likely to be required to exceed 10 hours in order to receive benefit.

5. It is clear from Chapter 2 paragraph 10 that low levels of work are only expected to be for the short-term. It is of concern therefore that the Universal Credit heavily focuses on improving the financial incentives for what could be only a small number of new workers and possibly for only a short period of time before they would be expected to significantly increase hours of work. Table 1 shows that the Governments predicts a certain number to be lifted out of the highest bands of marginal tax rates but overall there is no decrease in the number of low paid workers with marginal deduction rates above 60%. The Universal Credit was an opportunity to remove workers from such high withdrawal rates, higher than any UK personal income tax rate.

6. We are concerned about the lack of detail in the White Paper. In many significant areas the Government has either not made decisions or has not provided enough detail for a full analysis to be completed. For carers and disabled people, the continuing uncertainty regarding future financial support needs to be acknowledged and addressed. In addition, the White Paper does not offer guidance on the future support for families with a disabled child, young disabled adults with no contribution record, housing costs detail or how supporting people payments will be dealt with if Housing Benefit is centralised. We also believe that the White Paper should make it clearer which households will not be better off, and by what margins. The figures used for Eligible Rent and Council Tax in Figure 4 are not realistic for all areas, and for the couple with two children in Figure 5, probably unattainable. More appropriate calculations should have been included.

7. With the introduction of Work Related Activity as part of Employment and Support Allowance, the tougher “limited capacity for work” test, removal of Income Support for many lone parents and the current stringent Jobseekers Allowance regime we do not believe there is evidence, as stated in Chapter 3, for increasing sanctions.

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39 CM 7971
40 The recent Joseph Rowntree Foundation study, “A review of benefit sanctions” 2 December 2010 found that there is no evidence of sanctions providing long-term positive gains for claimant or state.
Jobcentre Plus offices and achieving sustained employment with a living wage for those who are able to work. The introduction of sanctions that stretch beyond the period of non-compliance into the period after re-compliance will lead to debts, arrears in essential payments and unnecessary strains on families already coping with unemployment.

Chapter 3 paragraph 16 proposes the conversion of current payments into loans. Claimants facing a JSA sanction already have to demonstrate that they are vulnerable in order to receive Hardship Payments. Converting these to loans is unlikely to incentivise these high risk groups, but instead will lead to greater vulnerability and deprivation.

8. Chapter 5 focuses on the current benefit system’s vulnerability to fraud. There is no evidence that the system is “highly susceptible” to fraud and error when considering the scope and size of the service. There is also no evidence that the system, when compared to other Government services, encourages fraud. There is a significant amount of data showing that the financial level of benefit fraud is a very small percentage of the overall spend and that the loss of taxation income to the Exchequer is far greater. Furthermore, the proposal in paragraph 19 that official error payments should be recoverable negates decades of a fair system and penalises claimants who receive incorrect payments through no fault of their own. With reductions in backdating of claims and restrictions on revisions and supersessions when the result is favourable to the client, this change places poorer, vulnerable claimants in the same position as other claimants who have failed to disclose and contributed to their overpayment situation.

9. In summary we would like to make the following points to the Committee:

(a) Universal Credit does not appear to improve the financial situation for families who are already working. This is a real concern in relation to the Child Poverty target. The announcements in the Comprehensive Spending Review 2010 on cuts to benefits in the next few years will mean that those cuts will be carried forward into Universal Credit. These include cuts to childcare through Working Tax Credit, increases in the withdrawal taper, removal of certain payments in Child Tax Credit and the Housing Benefit cuts.

(b) The impact on families particularly in the South East where housing and childcare costs are relatively higher have previously been drawn to the Committee’s attention during their scrutiny of the Government’s child poverty strategy in 2007–08. Further cuts to these two essential payments will directly affect families.

(c) The White Paper does not discuss in detail what proposals it makes for the retrenchment of non-means tested benefits, and what relationship the state will have with national insurance payers in the future. The greater take-up of non-means tested benefits and the lower cost in administering these payments means that they reach their intended recipient group. This includes carers and disabled people. The Government has already time-limited contribution-based Jobseekers Allowance and has introduced work-related activity to Employment and Support Allowance with the purpose that unless someone is severely ill or disabled they will return or take-up employment. We do not see, therefore, what evidence there is for time-limiting contribution-based ESA to 12 months. With an imminent rise in national insurance rates there needs to be a full debate on the future of contributory benefits.

(d) Furthermore we would not welcome the inclusion of Carer’s Allowance into Universal Credit unless it was excluded from the means-test and any conditionality to seek work.

December 2010

Written evidence submitted by Blaby District Council

1. I write to advise that whilst in principle I support the Universal Credit I object to it being delivered centrally by the DWP for the following reasons:

— The Coalition Government advocate for local delivery and Local Authorities are best placed to deliver this service to local people.

— The proposal is that in the main the DWP would provide the universal credit with Local Authorities picking up discretionary elements such as community care grants and crisis loans. Local Authorities are equipped to deal with HB and Council Tax benefit claimants and understand their local communities and therefore should pick up the whole remit.

— There is a serious miscalculation of the number of people who will not (for whatever reason) be able to operate the online service which will then fall to the Local Authority to resolve, therefore, they may as well do it all.

— Service users will be confused as to who to go to, and will inevitably try to access the service via their Local Authority.

41 According to the Joseph Rowntree Foundation report, Monitoring Poverty and Social Exclusion 2010, 58% of children in poverty live in a working household.

— Centralising benefit payments could lead to the same issues that service users had with Child Tax Credit, where wrong payments/no payments/over payments were made and the reputation of the service suffered as well as the service users.
— Local Authorities are person centred and offer access to services via as many avenues as possible making it easier for the service user, this is in contrast to many service users experience currently of DWP.

December 2010

Written evidence submitted by Ruth Lister

SUMMARY

(I) It is unclear how successful the UC will be in achieving the laudable objectives of greater simplicity, improved work incentives and a reduction in poverty.

(II) Assumptions about the nature and extent of “welfare dependency”, which drive the kind of draconian sanctions proposed in the White Paper, are open to challenge.

(III) Given the number of unresolved matters in the White Paper and the significance claimed for the reforms, it is imperative that a more prudent timetable is followed rather than moving to legislation as early as January.

(IV) There are a number of matters of concern from a gendered perspective:
— The proposed payment of the full UC, including the child credit, to one member in a couple.
— The erosion of contributory benefits, which have provided a growing number of women in couples with an independent social security income.
— The potential incentive for the re-creation of a male breadwinner model.
— The impact on mothers of the proposal to pay benefits monthly.

1. The Committee’s decision to hold a short inquiry into the proposals in the White Paper on Universal Credit is welcome. This short submission does not offer an overall analysis of the White Paper but simply raises a number of concerns. It is divided into two parts. The first deals with some general issues; the second considers some possible implications for women.

GENERAL ISSUES

2. The proposed universal credit (UC) is the latest in a long history of attempts to simplify the social security system and improve incentives. These are laudable objectives but experience suggests that they are easier to achieve on paper than in practice. Already, complexities appear to be creeping in to the proposals, for instance through the interaction between the new disregards and housing costs and the decision to make local authorities responsible for council tax benefit (with detailed proposals yet to be worked out).

3. There is an assumption that complexity itself creates a work disincentive. This may certainly be the case with regard to the decision to move into paid work (the unemployment trap) and one advantage of the UC is that it addresses the insecurity many claimants feel with regard to the transition into paid work. However, perceptions and attitudes are also shaped by the insecure nature of the kind of jobs available to many people out of work (insofar as there are jobs available) and by personal factors such as those associated with the care of young children and health status. Moreover, from the perspective of the incentive to improve earnings once in work (the poverty trap), there is a danger that the greater simplicity of a single taper could be counter-productive because the effects of an increase in earnings will be more immediate and visible to the worker than under the present system.

4. Efforts to tackle the poverty trap created by the interaction between tax credit/benefit withdrawal rates, tax and national insurance are welcome. However, while the single taper proposed for the UC will reduce marginal deduction rates for the minority who currently face rates of over 80%, it will mean an increase for many others. Family Action estimates that as many as 1.35 million households could face a higher marginal deduction rate and that among tax-payers in receipt of means-tested benefits the number of gainers with regard to marginal deduction rates exceeds the numbers of losers.

5. Another aim of the White Paper is to tackle what the Secretary of State describes as the “underlying problem of welfare dependency”. Assumptions about the nature and extent of this problem appear to drive the further ratcheting up of the regime of conditionality and associated sanctions. Yet neither here nor in the discussion document, which preceded it, is the notion of “welfare dependency” properly defined. Here and in previous documents, it appears to be equated with the simple receipt of benefits (primarily among people of working age). And reference to the reintroduction of a “culture of work” implies a widespread “dependency culture”, referred to in the earlier document 21st Century Welfare. Yet the research evidence does not support the view that there is a widespread culture of “welfare dependency”. 43 The use of such terms is stigmatising

and contributes to the “othering” of people living on benefits. They are highly ideological terms, which serve to delegitimize receipt of state support through the benefits and tax credits systems and thereby the kind of draconian sanctions proposed in the White Paper.

6. The White Paper claims that “by virtue of the changes to entitlement and improved take up” UC could “lift as many as 350,000 children and 500,000 working-age adults out of poverty”, without taking into account the potential impact of more people moving into paid work. This would, of course, be very welcome. However, some scepticism has been expressed as to how this will be achieved in the context of the cuts taking place elsewhere in the benefits system and the overall spending constraints within which the DWP is working. It would be helpful if the Committee could explore the assumptions upon which these projections are based.

7. There is an important procedural issue, which needs to be raised. It is understood that it is intended to bring forward legislation in January. The White Paper leaves many important issues unresolved—an example is the treatment of childcare costs. Given the claims made for the significance of the reforms, it would be prudent to move more slowly and allow more time for resolution of such issues and for full debate before moving to legislation.

**Gendered Perspectives**

8. The social security system plays an important role in shaping gender relations and the gendered distribution of income, with particular significance for the well-being of women and children. It is therefore important to consider the proposals from a gendered perspective.

9. A serious concern is the default position that the whole of the UC, including the credit for children, will be paid to one partner in a couple. Following concerns raised about this issue in response to *21st Century Welfare*, at the very end of the White Paper it is stated that “we will consider the scope to arrange payments to parents in couples, so that support for children goes to the mother or main carer, as now in Tax Credits”. The implication is that this is an operational issue. However when questioned on the factors that would decide this issue at the recent SSAC stakeholder seminar, Neil Couling, Director of Benefit Strategy, stated that it was a matter that would be taken to Ministers. It therefore appears that this will be a political decision.

10. It is a crucial decision. It is a widely accepted principle that benefits for children should be paid to the “main carer”, usually still the mother. In practice, the household member making the application in a couple is more likely to be the father than the mother. Thus, if the full UC were paid to one partner, there would be a gendered redistribution from “purse” to “wallet”, with a potentially adverse impact on intra-household poverty. The last time a Conservative government attempted this with its family credit proposal, it was forced to back down in the face of widespread opposition. Similarly, the New Labour government attempted initially to pay the working family tax credit through the pay-packet. Again it faced widespread opposition and conceded that child tax credit should be paid to the caring parent. This was, in part, in response to the evidence in a Joseph Rowntree Foundation study conducted by Jackie Goode, Claire Callender and myself, which demonstrated the continued importance of paying benefits for children to the caring parent and the continued significance of the intra-household distribution of benefits.44

11. Furthermore, the more reform cements means-tested benefits as the foundation of the social security system, the more difficult it is to address this issue and ensure that women achieve an independent income in their own right. As more women have built up an entitlement to contributory benefits, this is an argument for strengthening rather than diminishing the role of contributory benefits, suitably reformed. Instead, the proposal to time limit Employment and Support Allowance for those deemed capable of work will further erode women’s access to an independent social security income. The future of the Carers Allowance is also important in this context. This is another unresolved matter. It is important that the benefit is retained. Moreover, as the White Paper notes, it is paid at a lower rate than other income-replacement benefits thereby reducing its effectiveness. The answer is to increase it to a level which enables it to play a more effective role.

12. The UC proposals could also have the effect of reducing women’s access to an independent income from paid work. While the overall improvement in disregards (other than for single people) is very welcome, there is no independent disregard for a second earner and it would appear that marginal deduction rates could rise significantly for second earners. The White Paper suggests that in some cases “second earners may choose to reduce or rebalance their hours or to leave work. In these cases, the improved ability of the main earner to support his or her family will increase the options available for families to strike their preferred work/life balance”. However, it seems more likely that the system will tilt the “architecture of choice” towards a traditional male breadwinner model, which may not necessarily reflect the preferred work/life balance of both members of a couple and which would weaken women’s labour market position. It would also undermine the Coalition Government’s commitment to “encourage shared parenting”.45 And at the SSAC stakeholder event, the Secretary of State’s response to a question on this suggested that he regarded a return to a male breadwinner model as a welcome outcome.

13. The White Paper states that the DWP is considering whether payments of UC should be made monthly. It acknowledges that “many people on low incomes will be used to managing fortnightly payments of benefits”.

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44 J. Goode, C Callender and R Lister, *Purse or Wallet?*, Policy Studies Institute, 1998
It proposes “appropriate budgeting support to ensure recipients are supported effectively”. It is unclear who will provide this “budgeting support”. In families with children it will largely be mothers, as the managers of poverty, who will bear the strain of monthly payments. Managing a low income on a fortnightly basis is difficult enough but moving to monthly payments could upset completely the delicate juggling act that mothers perform and could result in greater debt. Budgeting support is no answer and implies that the problem lies with low income mothers rather than an inflexible system. It seems perverse deliberately to increase the difficulties faced by low income mothers in the name of encouraging them to “manage their financial affairs in a manner that best reflects the demands of modern life”.

December 2010

Written evidence submitted by Fran Bennett

Summary
— This evidence focuses on areas of concern. Broad acceptance of complexity and work incentives as key issues should not preempt critical examination of the proposals, or consideration of alternative ways of achieving desired goals.
— UC merges three different forms of payment, with differing implications for each.
— The Bill should not be rushed in while important decisions remain to be taken.
— Some language used in the White Paper (eg “welfare dependency”) labels claimants and seems to contradict its focus on financial disincentives to work.
— The UC encourages a combination of benefit and work, however minimal, with continued conditionality; ensuring progression in work will be critical.
— The focus is on getting one person in a household into work, rather than recognising the importance of access to independent income for all adults. It seems that some “second earners” might face much higher withdrawal rates.
— “Real time information” may make the “poverty trap” more visible. Previous in-work support has been designed deliberately not to change immediately.
— Payment of UC elements for children to the “main carer” would label them as being intended for children and help ensure they were spent as intended.
— Fortnightly UC payments would match low-income families’ budgeting.
— The makeup of the UC should be itemised, to ensure the various elements are clear; and if one element is in dispute, the others should continue to be paid.
— Plans to “localise” various payments will compromise certainty of entitlement.
— Carer’s Allowance should be retained as a non-means-tested benefit and improved. Child Benefit must not be absorbed into UC in the longer term.
— The source of income, its recipient and its labelling affect how it is used; this must be discussed in relation to UC, especially insofar as it affects couples.
— Means testing is a source of much complexity and disincentive effects. Other important sources of complexity will remain (eg changes of circumstances).
— A “new contract” is proposed. But this is rather one-sided for claimants. Conditionality is being tightened first. And time-limiting Employment and Support Allowance breaks the national insurance contract. Seeing the new contract as between the haves and have-nots, and the aim as freedom from financial support, betrays a narrow view of the functions of social security.

Introduction: Need for More Detailed Scrutiny

1. This evidence focuses on areas of concern about the White Paper (Cm 7957). There seems to be broad acceptance of the significance of the two key concerns underlying it—the complexity of benefits/tax credits and the need to ensure positive work incentives. However, this should not preempt detailed critical examination of the proposals, or consideration of alternative ways of achieving the desired goals. (Alternative ways of achieving simplification from claimants’ perspective include such experiments as the In and Out of Work pilot and the Tell Us Once project; and work incentives can be improved by reducing the costs of working, such as childcare and/or transport.)

2. The White Paper proposes merging three existing forms of payment:
— out of work income replacement benefits for different groups;
— in work tax credits and benefits; and
— some support for additional costs (not yet clearly delineated).

Each of these three amalgamations has different implications, which are not always clearly distinguished in commentary.
3. The Welfare Reform Bill is due in January. But decisions on some policies central to the proposals have not yet been taken. And the government has said it is keen to hear from stakeholders. It would be better to delay the Bill until these issues are decided. This would also give time for consultation with claimants about relevant issues. Such a radical experiment as this should not be proceeded with in its absence.

ASSUMPTIONS AND LANGUAGE IN THE WHITE PAPER

4. It is unfortunate that the White Paper labels as “universal” a payment which brings together various means-tested benefits and tax credits, as “universal” is usually used to mean non-means-tested. This may create confusion in discussions about different forms of social security payments and their functions.

5. The recognition that uncertainty about being better off, and anxiety about delays in in-work payments, may be a barrier to entering and/or increasing income from employment is welcome (though its importance in relation to recent increases in social security spending and dependence on out-of-work benefits can easily be exaggerated; there are many other barriers to participation in work). But in some sections of the White Paper, these financial factors seem to be downplayed in favour of assumptions about “welfare dependency”, leading to a disproportionate emphasis on conditionality and sanctions and a damaging labelling of claimants.

STIMULATING PROGRESSION IN WORK

6. Some payments already cross the in/out of work divide (including eg Child Benefit, Child Tax Credit). But the UC abolishes the distinction entirely, encouraging claimants towards a combination of benefit and paid work, however minimal. Its impact on work incentives seems uneven. Proposed earnings disregards vary depending on household type, and single people will get none (whereas now even those on Jobseeker’s Allowance have £5 per week).

7. Stimulating progression once in work has hitherto been achieved by such means as giving extra income at 16 hours’ and 30 hours’ work per week, and more recently through the In Work Credit, as well as the Retention and Advancement Demonstration scheme. In the White Paper this is achieved instead by continuing conditionality for those gaining some employment. It will be important to ask what plans there are to improve the position of those who move into “mini-jobs”.

8. It is important to support second earners in couples, because two earners are much more likely to lift the family out of poverty, but also because both partners then have an independent income. The government’s interest seems to be in helping at least one person in a household into employment, rather than in the work opportunities of both partners as individuals. But our qualitative research with members of low/moderate-income couples in the Within Household Inequalities and Public Policy (WHIPP) project showed that independent access to income was clearly important for some women in particular. Family Action calculates that some 1.35 million households on tax credits only could see their marginal deduction rate (MDR) increase from 70 to 76%. It also appears that, for couples already above their earnings disregard, the change could increase the MDRs of potential/actual second earners under the tax and NI threshold from the current 41% to 65% under UC. If this is correct, it would be a detrimental change for a group (“second earners”) who are known to be more sensitive to work (dis)incentives, and would encourage a more uneven division of gender roles.

9. Previous in work support has had fixed-term awards, or a high annual disregard, in effect operating almost like a non-means-tested benefit for people to build on with additional income. But the faster adjustment of UC in response to earnings increases achieved by the “real time information” which will be available under planned PAYE reforms may make the “poverty trap” much more visible, with an impact on work incentives.

MONEY FOR CHILDREN

10. It is proposed that (jointly owned) UC should be paid in one payment to one person in the household. It is unclear how this will be decided for couples; and the White Paper leaves open the possibility that payments for children could be made to the mother “main carer”. The previous government decided that Child Tax Credit (CTC) should be paid to the “main carer” for families in or out of work.

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46 Throughout this evidence “work” refers to paid work unless otherwise specified.
47 See, for example, HM Treasury (2010), Overview of the Impact of Spending Review 2010 on Equalities, London: HMT, para. 2.3.
50 This was part of the Gender Equality Network funded by the Economic and Social Research Council (www.genet.ac.uk): RES-225-25–2001.
11. It is crucial to pursue this option. Research has shown that money paid via the “purse” rather than the “wallet” is more likely to be spent on the children.\textsuperscript{52} In low/moderate-income families it is still the mother who tends to take the main responsibility for meeting children’s day-to-day needs.\textsuperscript{53} Yvette Cooper MP recently cited evidence that 86\% of CTC payments for families in work go to mothers.

12. Moreover, paying the means-tested element for children to the “main carer” means it is more likely to be labelled explicitly—as Child Tax Credit is—as intended for children. This reinforces the message that it should be spent on children, and makes this more likely. Research by Goode \textit{et al.} (1998, chapter 2) showed that how money was labelled influenced the way it was perceived and used.

13. The prevalence of joint bank accounts may be thought to make this less necessary. But our research with low/moderate income couples for the WHIPP project found that, whilst joint accounts were a powerful symbol of trust for couples, their presence was not necessarily an accurate indicator of their togetherness in terms of finances. In several cases, women felt uncomfortable accessing the joint account, in particular when children from a previous relationship were living with them. The existence of a joint account is no guarantee of equal access to money by both partners.

14. Leaving aside Child Benefit, the other payment for children paid to the “main carer” is the childcare element of the Working Tax Credit—done because research (eg by Jan Pahl) showed that childcare costs were more likely to be paid by mothers. The White Paper leaves undecided future support for childcare costs—via a voucher system, an earnings disregard or (as now) partial reimbursement of costs. Relevant recent developments include the reduction of help from 80\% to 70\% of childcare costs; the White Paper proposes that those working under 16 hours per week should also receive help with their childcare costs, but from the current total—so others would receive less. As Family Action has pointed out,\textsuperscript{54} withdrawal of childcare support may add to the marginal deduction rates (MDRs) under the UC, in some cases resulting in over 100\% MDRs. But if childcare support is subsumed within UC, many mothers’ “main carers” in couple families could lose out. Payment should continue to be made to the “main carer”.

\textbf{Monthly Payment}

15. The White Paper suggests that UC may be paid in one monthly lump sum.\textsuperscript{55} The government recognises this may cause difficulties and suggests people could be given help with budgeting. But there is no indication of where resources for this might come from, especially given current spending pressures; and it does not seem sufficient to deal with the problem. Currently, many benefits can be paid fortnightly rather than monthly; and research suggests that low-income families value payments made more frequently than once a month for budgeting reasons.\textsuperscript{56}

16. Among the low/moderate-income couples in our WHIPP research,\textsuperscript{57} spending often took gendered forms; the commonest pattern was for the man to be responsible for bills which were more likely to be monthly, whereas the woman tended to do the weekly shopping (food etc.) and to be responsible for spending on everyday needs. The pressures created by the need to manage resources on a monthly timescale are therefore likely to fall in particular on women (lone parents, largely women, and women in couples). Payment of UC should be fortnightly.

\textbf{Single Payment}

17. The White Paper perceives advantages in paying UC in one payment, bringing together different benefits and tax credits. There is evidence that claimants can currently find the interaction of benefits and tax credits problematic—though there will still be interaction between help with housing costs and the UC (eg see Annex 3, White Paper). Amalgamation of benefits is not the only answer, however. In the Netherlands, for example, claimants agree that changes in ceratin circumstances reported to one authority can be conveyed to others too.

18. Lessons should also be learned from the lack of specification of tax credits awards, which has caused many problems. The makeup of the UC should be itemised (ie how much each element, such as housing, extra


\textsuperscript{54} The \textit{Universal Credit: Marginal returns? Assessing the impact of the Universal Credit on marginal deduction rates}, London: Family Action.

\textsuperscript{55} Note that monthly is different from four-weekly, and that many direct debits are made from bank accounts on a fixed day of each calendar month, regardless of when payments are paid into the account.

\textsuperscript{56} Thanks to Jackie Goode, University of Loughborough (J.E.Goode@lboro.ac.uk) (Goode et al., 1998, p 94). She has also been involved in a recent longitudinal study of credit and debt for the Joseph Rowntree Foundation, which she reports demonstrated that frequency of payment was significant in influencing food purchase and consumption.


\textsuperscript{58} See, for example, Bennett, F, Brewer, M and Shaw, J (2009), \textit{Understanding the Compliance Costs of Benefits and Tax Credits}, London: Institute for Fiscal Studies, pp. 44–45.
help for disability costs etc, is), so that claimants can understand its composition. If an MDR is applied, there should also be a specified order in which elements are withdrawn (as there is currently).

19. In addition, if payment is from only one source—"all the eggs in one basket"—the consequences of disruption are far more serious, especially for those on low incomes. Whilst the White Paper recognises that there must be some fall-back provision, this will inevitably take time and effort to be activated. It is crucial that if one element of UC is in dispute, the others continue to be paid.

20. These points about the design of UC all have implications for children living in low-income families, ie for child poverty in practice.

Certainty of Entitlement

21. The UC is intended to bring about greater certainty about entitlement. But the government is considering "localising" Council Tax Benefit. In addition, those affected by Housing Benefit cuts may be able to access a discretionary fund administered by local authorities. The Educational Maintenance Allowance is being abolished, with some cases to be helped by existing local learner support funds. The government is also seeking to delegate Social Fund crisis loans and community care grants to local authorities. This is all likely to make entitlement less rather than more certain (or to replace entitlement with discretion with similar effects).

22. If these localised benefits are withdrawn using a taper, they will add to the marginal deduction rate proposed for the UC.59 And how passported benefits, such as free prescriptions and free school meals, are to be awarded and withdrawn is still unclear.

Non-means-tested Benefits

23. The White Paper raises questions about Carer’s Allowance. Carers UK60 has said: "we are pleased the White Paper does not currently subsume Carer’s Allowance within the UC, as this would have introduced means-testing after 34 years of carers having an independent income..." Carers UK has made it very clear that we would not accept moving carers’ benefits away from this universal principle” (2010, p 3). In our interviews with individuals in couples for the WHIPP project, Carer’s Allowance was crucial for several women in giving them an independent income or helping to give more of a “say” in decisions about the household income. Carer’s Allowance should be retained and improved.

24. The White Paper states that Child Benefit will not be part of UC. Yet the Secretary of State was reported as having hinted that it might be absorbed into UC in future. It is crucial that Child Benefit—which is simple to claim and pay and does not cause work disincentives—is also retained as a separate universal benefit for children’s needs.

25. Contributory benefits will rightly continue to be paid to the claimant themselves. But in a couple, this should not automatically mean that UC is paid to the same person.

Conclusions

26. Many issues above are often not visible in economic modelling but are critical to the ways households work (or do not work) as financial units. They relate to the “social meaning of money” within families, demonstrating:

"... the significance of the source of income, its recipient, and the way it is ‘labelled’, for shaping both perceptions and allocation of financial resources". (Goode, J, Callender, C and Lister, R (1999), "What’s in a name? Gendered perceptions of benefit income amongst couples receiving IS/JSA and Family Credit", Benefits, p 11).

More consideration needs to be given to these important issues.

27. The two key concerns of the White Paper (see above) are complexity and work disincentives. Means testing is implicated in both. The most complex benefits rely on assessing income (and often assets), especially as this may involve joint assessment and therefore someone else's income and assets. The more the system can be based on non-means-tested and individual benefits, the simpler it will be: and the more easily it can provide a floor for people to build on by their own efforts, whereas means-tested benefits are usually reduced when income increases, inevitably creating some disincentive. For these and other reasons, the remaining non-means-tested benefits should be preserved and improved.

28. Other key sources of complexity will remain under UC—including changes in circumstances (eg a partner moving in, or a couple separating), which are not much discussed in the White Paper but can trigger complicated adjustments. The frequency of changes in low-income families’ lives seemed to surprise some policy makers when tax credits were introduced. This must not be allowed to happen again.

29. The White Paper says it is proposing a new contract—giving greater certainty and improved work incentives, and so expecting more from claimants (in increased conditionality). However, conditionality is being tightened up before UC is introduced. The contract has in any case always been rather one-sided in terms

59 The withdrawal rate in the White Paper already includes Council Tax Benefit; however.
of power relations between the individual and the state; and with UC, control over most of a household’s income will rest with only one department rather than several.

30. The clearest example of a contract in the social security system is the national insurance scheme, in which risk is pooled through paying contributions in return for protection in adverse circumstances. However, the wider context of the White Paper includes time-limiting contributory Employment and Support Allowance for the work-related activity group to one year, representing a disruption of the existing national insurance contract.

31. The White Paper also describes its proposed contract as being between taxpayers and claimants—between the haves and the have-nots; and it endorses an ambition for individuals to be free of financial support from the state. But this is a narrow view of the multiple functions of social security, which does not just relieve poverty or help people back to work, but also prevents poverty, enables risk sharing, provides compensation, distributes the cost of bringing up the next generation between parents and the community, facilitates saving etc. In addition, benefit claimants are also taxpayers, via indirect taxes but sometimes also paying income tax. And all of us are in practice dependent to some extent on financial support from the state, through tax allowances and reliefs or in other ways.

December 2010

Written evidence submitted by Royal National Institute for the Deaf

SUMMARY

RNID believes that the government’s proposals for Universal Credit offer an opportunity to reform a welfare system that has become overly complicated, but we are concerned that its universalism may result in a system that fails to respect or incorporate diversity and that is inflexible around the vast array of different needs that those in receipt of Universal Credit will have.

The proposals are marked by a lack of detail throughout, leading us to have concerns about the lack of assessment of the practical implications that the introduction of Universal Credit will have on those who will be in receipt of it. We believe that any resulting legislation will require the highest level of parliamentary scrutiny.

In our analysis we have drawn attention to a number of unanswered questions specifically as they relate to the needs of people with hearing loss, and we draw the Committee’s attention to these.

We would welcome the opportunity to give oral evidence to the Committee on this issue.

ABOUT US

We’re RNID, the charity working to create a world where deafness or hearing loss does not limit or determine opportunity and where people value their hearing. We work to ensure that people who are deaf or hard of hearing have the same rights and opportunities to lead a full and enriching life. We strive to break down stigma and create acceptance of deafness and hearing loss. We aim to promote hearing health, prevent hearing loss and cure deafness.

RNID welcomes the opportunity to contribute to the Select Committee’s Inquiry into Universal Credit. Our response will focus on key issues that relate to people with hearing loss. Throughout this response we use the term “people with hearing loss” to refer to people who are deaf, deafened and hard of hearing. RNID is happy for the details of this response to be made public.

COMMENTS

1. RNID believes that there is a pressing need to simplify a benefits system that has grown bloated in size at the same time as it has become incomprehensibly complex. We are aware that many of the proposals outlined by the coalition government are designed to reduce complexity and simplify the system, but we are concerned that doing so may also serve to harm the interests of people with hearing loss.

2. Universal Credit has been designed to combine many existing out-of-work benefits and tax credits into one system, though Disability Living Allowance (DLA) will remain separate. We welcome the explicit understanding of DLA as providing resources for people to meet the extra costs of being disabled and the need for this vital source of income to remain separate.

3. There will be a basic allowance (similar to current levels of Jobseeker’s Allowance) with additional amounts for disability, caring responsibilities, housing costs and children. There will be lower rates for younger people, as is currently the case. We welcome the implicit recognition that people with additional barriers to work face a more significant labour market penalty, but are concerned to know what specific provisions will be made for disabled people, and how, for the purposes of Universal Credit, disability will be defined and recorded.

4. By using a single Marginal Deduction Rate of 65%, people who are claiming Universal Credit whilst in work will be able to keep 35p of every pound that they earn if they are earning below the tax threshold, (24p of every pound for basic-rate taxpayers). This means that someone working at the National Minimum Wage rate of £5.93 per hour would take home £2.08 per hour if they were below the income tax threshold and £1.42 per hour if they pay basic level tax. RNID doubts that such a small return will encourage many people to move into paid work, especially when work-related costs are taken into account. We believe that as an extra incentive for people to take up poorly-paid part-time jobs, some contribution should be made to the costs of transport to and from work.

5. Some groups, including people with disabilities, will be allowed to earn more money before the deductions are triggered. These earnings disregards will be based on personal circumstances. Depending on circumstances, disabled people’s households would be able to earn between £2,080 and £7,000 per year before having their earnings reduced. RNID is keen to understand what the bases for these figures are, and how different barriers to participation, such as hearing loss, will be measured. We are also concerned that the calculation of the levels of earnings disregards will take account of housing costs, which may mean that many people who receive support for paying housing costs will only receive the minimum disregard, further minimizing the incentive to work.

6. Housing costs will be included in the Universal Credit calculations, similar to levels of Housing Benefit. This component will be paid direct to claimants rather than to landlords. RNID welcomes the release of this money to the individual and believes that it could help to drive out much of the fraud in the Housing Benefit system that is perpetrated by landlords.

7. Universal Credit will include a fixed amount of money to cover the costs of bringing up children. The levels and structure of support for disabled children is still under consideration. Likewise, the options for providing support for childcare under Universal Credit are still under consideration. RNID would like to see more detail about the structure of support for disabled children, especially those with complex needs. We would also like to see explicit mention of the needs of disabled parents and the extra support that they need in raising a family.

8. The level at which a household can receive Universal Credit will be subject to the recently announced cap on household benefit payments in the Spending Review. However, as announced, Disability Living Allowance recipients will be exempt from this cap. RNID is pleased with this latter announcement, but fears that many people with hearing loss may, following forthcoming reform, lose access to DLA and face the cap on household benefits while still having to meet the extra costs they face in daily life.

9. The White Paper proposes a single progression to higher levels of conditionality based upon individual circumstances, with conditionality increasing as people are deemed more able to take on paid work. This means that disabled people in the Work-Related Activity Group of Employment and Support Allowance will have to take greater steps to engage with work than under the current arrangements. People in the Support Group of ESA will have no conditions placed upon them. While we agree that a level of conditionality has a place at the heart of the modern welfare state, the conditions imposed should be proportionate with the support provided by the system. This is particularly true of groups where there is clear evidence that they face significant external barriers to finding employment. People who are deaf, for instance, are five times more likely to meet the International Labour Organisation’s definition of unemployment ie unemployed and actively seeking work.

10. Additionally, partners of benefits claimants will also face a degree of conditionality by having to attend work-focused interviews. RNID seeks clarification as to whether this will extend to disabled partners, either of disabled or non-disabled claimants.

11. Under Universal Credit, conditionality may not cease when an individual enters work, rather it could be based upon moving people on to undertake more work as appropriate to their circumstances. As children grow up, or health conditions improve, individual circumstances will change and people will be reassessed as to the expectations the system places on them. RNID agrees that there should be encouragement for people to take on more work where appropriate. Our concern here is that people who are only able to take on smaller parcels of part-time employment are not expected to exceed their capacity for work. Note must also be taken of the capacity for employers to increase the hours worked by their employees, and we would like to see guarantees that people are not pressured to leave existing employment in order to satisfy the conditions of their benefit entitlement. We are also keen to learn how this more fluid and flexible approach to work will be reflected in Work Programme, and how employment service providers under that system will be rewarded for finding part-time work for clients.

12. We note that decisions as to eligibility and conditionality could be made with more devolved discretion to account for differences at a local level. This would involve greater flexibility for local Job Centre Plus advisers to make specific conditions apply to claimants, such as mandatory training or attending interviews more frequently. We agree that there are significant differences at local levels that will affect an individual’s ability to gain and retain paid work. We do not believe that localized changes to eligibility would be fair, but would like to see a system of differing levels of conditionality applied according to a range of local or regional factors. These may include the local labour market, local transport infrastructure and local availability of child care.
13. Advisers will also be able to refer people to Mandatory Work Activity, which would see the claimant being required to work a full week in order to receive their benefit for up to four weeks. RNID does not believe that this activity should ever be seen or be used as a punishment or sanction, and we are aware that similar schemes in the United States have had the effect of driving people away from the welfare system. We have a number of questions that remain unanswered about this proposal:

- How will the work undertaken differ substantially from the work undertaken as part of community service?
- Will disabled people be asked to participate?
- Has the government carried out a separate impact assessment to ascertain the possible impact upon vulnerable groups, such as disabled people?

14. The current sanctions regime will be toughened before the introduction of Universal Credit with an incremental series of sanctions imposed on people who do not meet the conditions of benefit receipt. Failure to comply with the conditions of receiving benefit could result in the loss of 100% of benefit for until the claimant re-engages with the regime, plus a further fixed minimum period. The toughest sanctions (loss of benefit for three years), for people on Jobseeker’s Allowance only, would apply to people who refuse to accept a reasonable job offer, fail to apply for a job or fail to attend Mandatory Work Activity. RNID recognises that recent and forthcoming changes to disability benefits mean that many more people who are deaf or hard of hearing will be potentially subject to such sanctions. With more disabled people being expected to claim Jobseeker’s Allowance, care must be taken by decision-makers when applying them, and any sanctions regime must be transparent and must include a readily available appeals system. Evidence from the United States shows clearly that as conditionality increases and sanctions become harsher, more people opt to leave the benefits system altogether. RNID is concerned that this pattern may materialize in the UK, and wants to see the government undertake to provide information on what happens to benefits claimants when they leave the system.

15. With Universal Credit being applied to households rather than to individuals, we are concerned that any sanctions that are applied will have a detrimental effect on families who could end up facing severe financial penalties for the actions of one individual. We do not believe that this is a fair way of enforcing sanctions, and believe that only the individual transgressor should face a penalty under such circumstances.

16. Under the plans outlined in the White Paper, people will be able to make a single application for all major entitlements. This will require the development of an integrated system that works across the DWP, HM Revenue and Customs (HMRC) and Local Authorities. Universal Credit will be calculated on a household basis, with one household member identified as the “claimant”. This person will be responsible for all contact with DWP administrators. RNID is concerned that these plans may run the risk of disempowering those household members other than the designated “claimant”. This could see disabled people (and many women) lose access to their main or only source of independent income. We would seek clarification as to how this policy is aligned with the government’s stated support of greater choice and control for disabled people.

17. A new IT system will be developed based on existing technology. This would involve a customer management system that would gather evidence and assess entitlement and a system that brings together entitlement calculations and information on income. HMRC is investigating the development of PAYE2 which would collect real-time income data that could form part of this system along with existing BACS payments as used by DWP. It is intended that these systems would combine to create real-time data that would negate the need for customers to notify changes of income, making the system more responsive to fluctuations in income and movement in and out of work. This would also resolve the issue of overpayments that have plagued the Tax Credits system. We believe that this system has significant attraction, and welcome any development that makes the welfare system more responsive and flexible.

18. There are concerns that the PAYE2 system may suffer from the poor quality of data. HMRC must work with employers to ensure that they submit timely and accurate data to a far greater degree than at present. This is particularly important when greater numbers of staff undertaking part-time work may increase the data burden on employers.

19. The move to a real-time earnings system would necessitate that Universal Credit is paid monthly rather than fortnightly, as is the case with most benefits at present. Low-income households may not find it easy to operate on a monthly basis, and we would like to see more flexibility in the payments system as well as the provision of financial advice. Fortnightly payments for some households may serve to reduce the risk of increasing demand on the Social Fund for emergency payments.

20. The vast majority of claims and future contact between DWP and claimants would be online. There would be additional support available by telephone and some facility for face-to-face contact for those who need it. The Government hopes that this reduction in administrative complexity and move to an integrated computer system would serve to provide accurate data in one place, reducing the chances for official and customer error and fraud. RNID would like to see greater opportunity for people with hearing loss to request and receive alternative forms of communication with DWP staff.
21. Stricter and swifter penalties will be applied to people who are found guilty of defrauding the benefits system. In addition, a £50 penalty will be imposed on people who fail to notify a change of circumstances. We agree that even small amounts of fraud are unacceptable and should be targeted, but are concerned that the imposition of such a penalty is likely, under the proposed arrangements, to impact upon an entire household, including any children, for the actions of one individual claimant.

December 2010

Written evidence submitted by Scottish Association for Mental Health

SAMH

SAMH is a Scottish mental health charity which provides an independent voice on all matters of relevance to people with mental health and related problems and delivers direct support to around 3,000 people through over 80 services across Scotland. SAMH provides direct line-management to respectme (Scotland’s anti-bullying service) and “see me” (Scotland’s anti-stigma campaign).

Welfare reform has implications for people experiencing mental health problems throughout the UK. This response has therefore been endorsed by Mind, the leading mental health charity in England and Wales. A fundamental part of Mind’s work is provided through a network of over 180 local Mind associations who last year worked with over 220,000 people running around 1,600 services locally.

COMMENTS

INTRODUCTION

1. Welfare reform is a key issue for many of the people who come into contact with SAMH and Mind. We are aware that the Committee’s Inquiry is likely to attract substantial interest. We have therefore confined our comments to those directly affecting mental health and people with mental health problems. Of necessity, some of our comments relate to the Work Programme, since its success is essential to the aims of the Universal Credit.

SUMMARY

2. It is undeniable that the current benefits system is confusing and often does not provide incentives for people to enter work. It is also true that, in general, “good” work is usually good for the mental health of most people.62 SAMH therefore supports a direction of travel that makes it easier for people to claim the benefits to which they are entitled, and which provides greater support and motivation for people to get into work. However, there are specific areas where people with mental health problems could be disadvantaged or unfairly treated by these proposals. Mental health problems account for close to half of all Incapacity Benefit claims in Scotland,63 so it’s crucial that welfare reform takes proper account of this. This response sets out potential problems with the overall approach, sanctions and conditionality, and where possible suggests solutions.

OVERALL APPROACH

3. Throughout the paper, it is made clear that the overall aim is to reduce poverty. Paragraph 26 states that public investment in tackling poverty must be about more than transferring money from those who have to those who have not. This is absolutely true: but nor should a system be created that puts all of the pressure of getting out of poverty on those who are in it. Being on benefits is not in itself a cause of poverty. Major financial cuts mean that early intervention and low-level support services are disappearing. Without investment in education, housing and support, the Universal Credit could lead to a process which simply expects people to get jobs without providing the necessary support, infrastructure and investment.

4. There appears to be an inconsistency in the paper’s approach. The Executive summary states at paragraph 13 that the majority of people should move into full-time work, but that for some people there may be temporary periods when part-time work is appropriate. However elsewhere in the paper, notably paragraph 22 of chapter 7, the paper states that today’s labour market involves part-time jobs and flexible working much more commonly than in the past.

5. This is relevant because it suggests that people receiving the Universal Credit, even those in the ESA Work Related Activity Group who may have significant illnesses or disabilities but still be able to do some work, will be expected to strive towards full-time work. If we are serious about helping people to realise their potential and ending the degrading practice of assuming people with disabilities and serious or recurrent illnesses simply cannot work, then we must create a system that accepts that for some people, part-time work may be long-term or permanent. Evidence that you can work should not automatically be interpreted as evidence that you can work more.

63 Incapacity Benefit Claimant Profile, Scottish Observatory for Work and Health, University of Glasgow, April 2010
6. The paper makes several references to the successful implementation of ESA. However the recent Harrington Review supports the evidence of SAMH and many others that there have been serious problems with the implementation of ESA, particularly the Work Capability Assessment, and particularly affecting people with mental health problems. The Universal Credit must be modelled on the lessons from this experience.

**Structure of Universal Credit and Practical Considerations**

7. Paragraph 18 of the White Paper says that additional amounts will be added to the basic personal amount of Universal Credit in recognition of disability, caring responsibilities, housing costs and children. We would ask that the Committee seek information on whether people will also receive an additional payment in recognition of illness that does not constitute a disability. Currently, people in the Work Related Activity Group of ESA (who may be either ill or disabled) receive up to £91.40 per week, while those on Jobseeker’s Allowance receive £65.45. People can have a mental health problem which does not constitute a disability— if, for example, they have a first episode of depression which their GP believes is not likely to last for 12 months, and therefore does not meet the definition of disability—and should not be penalised for this.

8. The White Paper suggests that people’s applications for Universal Credit will remain live for three months after they are no longer eligible, to allow for a quick transfer back if their circumstances change. This is welcome, given the ending of the previous “linking rules” which provided great comfort to many of our service users and members, assuring them that they could try a particular job without facing months if not years of trying to get back onto the correct benefits. However, SAMH would suggest a period of at least six months, rather than the proposed three.

9. Chapter 4 of the White Paper proposes that most applications for Universal Credit should be made and managed online. While we appreciate that this is part of an overall “digital first” strategy and that for many people this is the most convenient method, internet access remains inaccessible for many people with mental health problems. We know that many of our service users and members find internet use difficult and confusing, and would be extremely anxious about managing a main source of income in this way. Paragraph 27 of the White Paper states that for a minority of people, phone or exceptionally face to face contact will also be available. We seek information on whether people will easily be able to use these channels if they are most appropriate, or whether they will be required to demonstrate in some way that they need to communicate in this manner. If the latter, then this is likely to make it more difficult for people with mental health problems to use the system and may make it more likely that they will face sanctions if they are unable to do what is expected of them.

10. Chapter 5 sets out measures to deal with fraud and error. Paragraph 14 proposes a £50 civil penalty to be imposed on people who fail, without “good excuse”, to report changes to personal circumstances. We oppose this proposal, which is likely to affect those who have difficulty in understanding and complying with the system and the threat of which will lead to even greater anxiety about the Universal Credit. The income it would generate would be small and possibly even outweighed by the cost of collection. It is not unusual for people with mental health problems to disengage with dealing with documentation because of confusion, fear or anxiety. The existence of this penalty could well cause sufficient stress or anxiety to exacerbate a mental health problem. It will undermine efforts to persuade people that the Universal Credit exists to help them into work where possible, rather than find new ways to penalise them.

11. Finally, we note that the shift away from local authorities handling some benefits will require detailed discussions with the Scottish Government and the Convention of Scottish Local Authorities (COSLA) and trust that this will take place in good time.

**Sanctions and Conditionality**

12. The White Paper makes clear that while sanctions will not apply to those who would be in the Support Group of ESA under the current system, they will apply to those in the Work Related Activity Group. Current practice tells us that people with quite significant mental health problems can be placed in this group, therefore these proposals are very relevant to SAMH. We note the recent publication of the Joseph Rowntree Foundation’s report on the effectiveness of sanctions and trust that the Committee will receive detailed evidence from others on the desirability of this approach.

13. Those in the “work preparation” conditionality group may well have mental health problems. They will be subject to the proposal that 100% of payments will cease until the recipient re-complies with requirements and for a fixed period after re-compliance. Evidence from the implementation of ESA and the associated WCA suggests that mental health problems are often ill-understood by decision-makers. In particular, a mental health problem can fluctuate, meaning that it may well be unrealistic to expect people to constantly engage in work preparation at a consistent level. This raises the prospect that people with mental health problems may face sanctions when their condition has meant that they are unable to comply. It should be noted that in order to comply with human rights law, the welfare benefits system cannot be administered arbitrarily or on a discriminatory basis.

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64 A review of benefit sanctions, Julia Griggs and Martin Evans, Joseph Rowntree Foundation, 2010
14. If proposals on sanctions and conditionality are to be implemented, the following points are crucial:
   — The level of work-related activity expected of an individual on ESA must be realistic, individually tailored and based on an understanding of their condition, with input from medial and social care staff as required.
   — People in the Work-Related Activity Group of ESA must receive meaningful and tailored support via the Work Programme, and this should be assessed through an independent evaluation of its actual implementation, not a pilot phase.
   — Decision-makers should have a proper understanding of mental health problems and should not issue sanctions without consulting a Disability Employment Advisor.
   — Sanctions should not be automatic for those on work-related activity ESA. It is likely that “non-compliance” will often be due to a fluctuation in health, a difficulty relating to personal circumstances or a difficulty in understanding what is required. Applying sanctions rigorously and frequently will do nothing to assist people in this group back to work and will in fact undermine efforts to persuade people that they are able to move towards work and should see this as a positive and not a frightening prospect.

15. There are many lessons to be learned about engaging people with mental health problems with return-to-work activity. While mainstream welfare to work programmes are often inadequate for people with higher levels of need, specialist DWP programmes have had a very low take up by people experiencing mental health problems. A 2009 report identified a number of reasons why Pathways to Work has yielded mixed results for people with mental health problems, identifying constraints on support and suggesting a number of ways in which the programme could be improved. This experience should be built upon.

16. No doubt others will comment on the difficulties of getting people into work during a recession. We would like to raise the additional barrier faced by people with mental health problems, that of stigma. Fewer than four in ten employers would consider employing someone with a history of mental health problems, compared to more than six in ten for candidates with physical disability. Initiatives to address misunderstandings about mental health among employers and employees should be supported and the UK Government must encourage employers to recognise and fulfill their responsibilities under the Equality Act.

Transfer Process

17. The fear and uncertainty that this further welfare reform will create should not be underestimated. While we do welcome efforts to make the system more supportive and responsive, it is unfortunate that the ESA transfer process has begun but will now be replaced by the Universal Credit. This creates the prospect of two phases of upheaval and anxiety. SAMH service users and members are already afraid and unsure of what the ESA transfer process holds for them, and many of them will now have the added uncertainty of another future transfer onto Universal Credit. Clear, simple, regular and widely disseminated communication about exactly what will happen when and to whom is absolutely vital. We know that the stress and indignity of the ESA transfer process is already causing some people in the Aberdeen trial to become more mentally unwell than before. We must not repeat this in the transfer to Universal Credit.

December 2010

Written evidence submitted by Community Links

1. Summary

1.1 We broadly welcome Universal Credit as a simplified system that smoothes out some of the perverse financial disincentives to work within the existing benefits system. However the overarching promise to make work pay is undermined by the recent cuts to benefits such as Housing Benefit and childcare and we feel financial incentives for certain groups need continued scrutiny from the Committee.

1.2 We welcome the overall increase in levels of earnings disregards, however we disagree with the decision to give a disregard to couples on JSA and remove the disregard for single people on JSA and feel this disparity needs to be accounted for by the department.

1.3 We are concerned with the overall timescale of the proposed welfare reform. We are concerned about the lack of synchronisation between the new sanctions regime and Universal Credit coming online, given that Universal Credit was clearly presented as a “carrot” and sanctions as a “stick” in a single package outlined by Universal Credit: welfare that works. We feel the Committee are in a suited position to request a detailed, long-term strategic plan form the DWP on the implementation of all of the outlined reforms and an impact assessment of the overlaps and gaps in provision, systems and rules.

People with mental health conditions and Pathways to Work, DWP, Research Report No 593, 2009
1.4 Universal Credit will only work with the right kind of support available. The White Paper recognises this and identifies the Work Programme as the main support service with no indication to what role the Jobcentre Plus (JCP) will play in a reformed system. We recommend the reformed model of the JCP requires further development and the DWP should be requested to outline this development.

1.5 In our consultation response we highlighted the opportunities that Universal Credit will bring to job creation in the UK. In particular we feel that “cash-in-hand work” could now be “formalised” (declared and expanded in the formal labour market). There are references to this in the White Paper (see below), however we feel there is much more that could be done in the development and implementation of Universal Credit to take advantage of this economic activity.

2. About Community Links

2.1 Community Links is an east London community charity working with 30,000 people each year across a wide range of children’s, youth and adult projects which include employment support and welfare advice.

2.2 Community Links is an innovative local charity running 60 community projects in East London, working with 30,000 people each year.

2.3 We have over 30 years experience working in one of the most deprived, diverse and vibrant areas in the UK. Half of our staff live locally and 40% are former service users or volunteers.

2.4 Community Links’ response is based on our experience as a community charity working directly with unemployed people for over 30 years offering welfare advice, employment support and employment advice.

2.5 Last year we:

— Ran youth clubs and children’s activities for almost 4,000 young people.
— Advised almost 9,000 people with benefits, housing and debt problems.
— Ran the most successful New Deal project in London and the South East, helping over 5,000 people look for work.
— Worked with 144 young people excluded from mainstream education, in our own Community Links school, notching up a 93% A*–G pass rate at GCSE.
— Organised 35 grassroots meetings around the UK, with over 550 participants, as part of our work on the European Year Against Poverty.

3. Policy Responses

What are individuals and organisations views on the areas of the Government’s proposals set out in the White Paper which require further development?

3.1 Income levels

3.1.1 Earnings disregard

We welcome the recognition from Government that the earnings disregard acts as a stepping stone for people to move into employment. By being able to have a “taster” of paid employment without the fear of losing benefits and at the same time building a persons self confidence in the work place, we do not see why a single person on JSA will not have a disregard whilst a couple on JSA will have a disregard. In terms of simplicity and fairness it seems illogical that there is such blatant disparity for JSA claimants which again could lead to customer error or earnings fraud. We recommend the committee inquire into this discrepancy between JSA claimants, particularly as in the White Paper the department has stated that they “believe the same opportunities should be available for all” (p55 on financial incentives for lone parents).

3.1.2 Passported benefits

Making work pay is an extremely commendable ambition, however if passported benefits such as travel, prescriptions etc are not accounted into calculations, an increase in a taper and disregard will not have the desired effect of people taking up employment. According to the think tank IPPR, the average family childcare costs in England are £88 for 25 hours and £42.30 per week on travel. This will be higher in London and travel costs are due to rise following the October spending review. A more detailed policy position from the DWP would be welcomed on Universal Credit and the real costs of employment accounted for in current passported benefits. Particularly we would like to see the income level at which passported benefits will be withdrawn, how costs will be calculated (accounting for fluctuations) and the stage at which each will be withdrawn (we recommend the disregard is not a tool to withdraw the benefits as this will remove the incentive for people to take up mini jobs).

3.1.3 Housing Benefit

We have particular concerns about the 10% cut to Housing Benefit for JSA claimants after the claim exceeds one year as this will have a huge impact on the effectiveness of Universal Credit and its financial incentives.
to return to work. The impact assessment does not fully account for the cuts to Housing Benefit made over the recent months; this is an area that should be given more considered thought if investment in Universal Credit is to be justified.

We also recommend further thought is given to the deduction of rent and mortgage support from disregards to a “disregard floor” which will undermine the incentive to declare work or to take up mini jobs.

3.2 Support

3.2.1 Face to face support

The White Paper states that claims and subsequent contact is to be online. “Digital channels of communication will become the default option” (p38, pt 26). In the consultation process we highlighted a principle to “ensure the system is fully accessible to all its users, and that the deep value of a personal supportive relationship is always available to those claimants who need it”. Digital services are not appropriate for all, this is recognised on p38, pt 27. However the paper indicated this will be the minority and face to face will be most useful for delivering conditionality interventions. The DWP must give more detailed consideration to investing in providing high quality face to face support for all claimants’ needs, not just to issue sanctions. On p34 it does say that Government will “target resources to support vulnerable people with additional needs” when claiming, however more detail is needed to how this will happen. We also recommend that consideration is given to the use of the VSO sector in hosting digital services for more vulnerable claimants in local communities which will make the services more accessible with support at hand.

3.2.2 Advice Services

P40 in the White Paper identifies the voluntary sector as suitably placed to provide needed welfare advice. The paper goes on to say that Universal Credit should make this service easier to deliver and more efficient. It does not imply that the demand for welfare advice will disappear with Universal Credit. Further consideration by the DWP and other government departments, including the Ministry for Justice, needs to be given to the future funding of welfare advice (in relation to the current Green Paper on Legal Aid reform) and who is best placed to be the delivery agent. At such a scale, 19 million individuals and 8 million households involved nationally, the transition to new benefit will require greater levels of information from people, all onto one form, it is important to get it right first time and have the necessary advice services available to clients.

3.2.3 Childcare

At Community Links childcare costs continually arise as one of the biggest barriers to taking up and progressing in employment. The October spending review proposal to cut DWP funded childcare costs from 80% back to 70%, as was the case in 2006, will have a hugely negative impact on low income families, increasing this barrier to employment and reducing the positive impact Universal Credit is intending to have on families’ incomes. Childcare needs to be responsive, cost effective and be able to maintain the impact of work incentives outlined in Universal Credit. If mini jobs are to be encouraged then childcare support for lone parents should be available—irrespective of how many hours are worked. A 2008 Report69 by the Treasury states that research shows many parents find it difficult to calculate childcare costs, levels of fraud may increase as payments are made directly to parents and so it is up to them to inform HMRC if they are no longer using a provider’s service. To overcome these problems Universal Credit could remove the complexity of parents estimating the household income as it would rely on the PAYE amounts from HMRC. The responsibility to inform Government of childcare costs could be handed over to the provider. We recommend that a detailed inquiry into childcare support is carried out, to identify the most suitable approach.

3.3 Employers

3.3.1 Self employment

Bogus self employment—There is a real risk that should employers fail to comply with Universal Credit (and classify employees as self-employed without their knowledge) and risks the employee having been seen by the JCP to have committed benefit fraud. We therefore recommend that the committee inquires into the DWP communications strategy to focus on the duties that employers will have regarding the delivery of Universal Credit and that the Department’s recent anti-fraud strategy will need include a joint up approach with BIS on their employer enforcement work.

We are concerned with the proposals in Annex 3 of the White Paper regarding the treatment of self-employed income. The Committee could inquire into the DWP understanding of self employment and suggest further consultation with specialist providers if this is not substantial enough to develop in isolation. For example we feel it is wrong to assume the self-employed earn at least the National Minimum Wage for the hours they work, especially in the early days. Proposals in the White Paper have the potential to discourage low-earning self-employed people from declaring their work. We have spoken to specialists in the self employment provision and recommend the Government calculates benefits for the self-employed based on actual earnings (after expenses) rather than hours worked, in line with its approach to employees on PAYE.

69 Tax Credits: Improving Delivery and Choice. The Modernisation of Britain’s Tax and Benefits System, HM Treasury, 2008
3.3.2 PAYE and Universal Credit

Universal Credit has potential to increase the in-work incomes of those in insecure work, however there are also significant risks for those whose employers do not engage with the PAYE system. In the worst case scenario this could leave vulnerable workers worse off than at present, as both their benefits and their wages are affected by employer incompetence/wilful non-compliance. Although the proportion of workers whose employers do not use PAYE is small, at the bottom of the labour market the proportion of jobs outside of PAYE is higher than average. In addition, some workers who are outside of PAYE may not be aware that their employer is not paying NI on their behalf—while they may be told by their employer that they are “self-employed” they may not regard themselves in this way and therefore be unaware of the need to claim Universal Credit via a different route (for example, in our work we have highlighted examples of “self-employed” cleaners, drivers, hairdressers and call centre operatives). BIS funded agencies have front-line experience of non-compliance with employment law, both through Acas, the Pay and Work Rights Helpline, the work of HMRC’s minimum wage enforcement team and the work of the Employment Agency Standard’s Inspectorate. These organisations are in daily contact with non-compliant employers and would be well placed to brief the department on the possible enforcement problems that Universal Credit will face among employers whose employees are in low-wage insecure jobs.

3.3.3 The Work Programme, the Jobcentre Plus and sustainable jobs

The Work Programme has been designed to support claimants into sustainable employment. However the design of Universal Credit will allow claimants to take up temporary, mini jobs. These differences may mean vacancies advertised in the JCP will increasingly be temporary, self employed options. The role of the JCP must adapt to monitor more closely the vacancies advertised to ensure claimants do not fall into “bogus” self employment. Therefore a claimant would have awareness of the jobs they are applying for and of whether their employer should be paying NI.

3.3.4 The Informal Economy

The White Paper states that “Universal Credit will create new opportunities for people to combine part-time work with benefit receipt and that this will significantly reduce the incentives for people to behave fraudulently and to work and claim”. P59, recognising that Universal Credit increases the opportunity for people to declare work they may be doing, in effect they will be formalising their work. We feel that this is an area Government should be exploring in much greater detail as a means to creating more jobs, reducing the need for fraud detection expenditure and a potential option to explore the expansion of the self employment options and support services available through the Jobcentre Plus. We feel the DWP should give considerable thought to the development of these areas and the Committee should further inquire into the justification of DWP expenditure on their benefit fraud campaign when at the same time the department is justifying expenditure on Universal Credit as a means to dramatically reduce financial loss through fraud; “one category of fraud and error in the Tax Credit system is the incorrect reporting of hours worked. Because hours worked plays little or no role in the Universal Credit assessment this should largely disappear under the new system.” p60.

3.4 Conditionality

3.4.1 Synchronisation

Chapter three of the White Paper outlines proposed changes to the rules on conditionality; expectations of the client and the potential sanctions they may face for non-compliance. We urge the Committee to inquire into the timescales for reforms, especially as an increased sanctions regime is intended to be in place before the clear barriers to employment are removed.

3.4.2 Justification to use sanctions

Universal Credit encourages people to take up small pieces of work, mini jobs, for two reasons; these are positive steps to progress into full employment and working a few hours a week may be the most suitable option for a number of claimants due to personal situations. The sanctions regime seems to contradict this by enforcing people to “up” their hours and earnings once in work. The Secretary of State has assured us that sanctions will only be applied if a person unreasonably refuses to take up an offer of employment. Recent research70 by Joseph Rowntree Foundation states that the long-term effects of a sanctions regime has not yet been considered and evidence shows that sanctions lead to poorly paid, short term and insecure employment; creating the unemployment “loop” for many—and exactly what this Government is trying to reverse with a focus on sustainable and progressive employment. Particularly concerning, is the finding that “there is little evidence this will achieve the changes in behaviour sought”. There are areas that we feel a more detailed explanation to before Government should be able to progress with the implementation of the new sanctions regime.

— Will sanctions apply to claimants that have been identified as having multiple needs?
— Will sanctions be applied as part of a wider strategy to overcome the barriers claimants have which prevented them form taking up employment in the first place?

— What assurances are there that JCP advisers will be adequately trained to use their discretion when applying sanctions?
— What guidance will the DWP give to what is considered reasonable hours worked for an individual?
— Who should the responsibility lie with to decide this—the claimant or the adviser?
— How will the DWP communicate these two conflicting messages of “taking up small pieces of work” and an “expectation to increase hours into full time employment”.

Community Links deliver a number of front line, employment related services across Newham and parts of east London. We have run a number of benefit claimant focus groups for DWP civil servants and Ministers on Universal Credit and related issues such as the Work Programme. We have attached our 21st Century Welfare consultation response and Work Programme DWP Select Committee response to support this submission. We are keen to support the development of Universal Credit and its implementation. We are able to arrange visits, discussions or oral evidence hearings for the DWP Select Committee. If this is of interest please use the contact details provided below.

December 2010

Written evidence submitted by Thanet District Council

SUMMARY

Thanet District Council welcomes the opportunity to comment upon the Governments proposal to replace all existing working age benefits with a single Universal Credit. This response focuses on the proposals for the replacement of Housing Benefit and Council Tax Benefit and specifically the risks the removal has on the residual Local Authority.

It is believed that there are significant outstanding issues that must be addressed if the Governments goal is to be successfully achieved. Currently the proposals risk the financial stability of smaller District authorities and there is the need for clarity over the following major issues in order to enable effective planning and transition to occur, and for the residual elements of the Local Authorities to avoid being disadvantaged by any “fallout” that this transition generates.

MAJOR ISSUES

(1) Phasing of changes

The White Paper outlines that there will be a phased introduction of Universal Credit from 2013 with all new entrants to the Welfare System from October 2013 being awarded Universal Credit. Existing Housing Benefit customers would be migrated from Housing Benefit and onto Universal Credit between 2013 to 2017. There is no indication of this phasing—whether it be gradual, weighted, regionally based etc. Such information is essential if Local Authority staffing budgets are to remain viable. In my own authority 87 staff are directly employed within Revenues and Benefits functions, which is a very significant proportion of the overall Authority staff establishment.

If the function were to be removed in a manner other than a smooth gradual process, it would be a nearly impossible process to plan demands for staff. If the transition is greater than anticipated, then the Local Tax payers may end up meeting wage bills for staff who are suddenly no longer required. Conversely if the transition is at a slower rate the authority may find itself with insufficient staff to maintain the service once natural wastage is taken into account. This may increase a reliance on more expensive agency staff to maintain a service at greater cost to the local Taxpayer.

(2) Local Authority Staffing Costs

There is subsequently no mention of the thousands of Local Authority staff who are involved in the processing of Housing Benefit nationally. Clarification needs to be obtained on whether these staff will TUPE across to the DWP at the point the Housing Costs element is included in the Universal Credit (again here, the phasing is also important). It is clear that staff are currently involved in the administration of Housing Costs within the framework of the Welfare State. That function will now be carried out as part of the Universal Credit.

Clearly the transfer of a function would mean that TUPE would apply. If staff are not subject to TUPE then undoubtedly there will be significant redundancy costs incurred by Local Government and Council Tax payers. Should staff TUPE to the DWP then the DWP would be required to meet any redundancy costs. It is my understanding that the DWP has not considered this process as part of the set up costs for Universal Credit.

Redundancy costs for a significant proportion of a District Authorities establishment would financially cripple an authority such as ours in an economically deprived area with minimal reserves and it is essential that any such costs are met centrally.
(3) **Treatment of current outstanding Housing Benefit Debt**

Each local authority will have an amount of overpaid Housing Benefit that is currently subject to active recovery. The amount that can actually be recovered via ongoing payments is legislatively restricted. The amounts involved are very significant. At Thanet District Council, there is a total outstanding Housing Benefit debt of £3.8 million.

At the point the payment of Housing Costs is made within the Universal Credit, is it the DWP’s intention to effectively buy the debt from the Local Authorities? If the debt remains with the Local Authority, the methods of recovery will be extremely limited and will lead to very significant bad debts requiring the need for bulk write offs. Such a move could render district authorities such as ours financially unviable through no “fault” of our own except the accurate following of Housing Benefit legislation.

(4) **Localised Council Tax Benefit**

Clarification needs to be obtained about just how “local” is a locally designed replacement to Council Tax Benefit. A 10% reduction in funding is not insignificant. For Thanet District Council this will approximate to £1.5 million at todays rates.

How much influence will central Government have in the allocation of the remaining funds? I believe that the introduction of a local scheme would only be viable if the current national scheme of discounts and allowances is also reformed to be locally set.

I hope that you agree with the points above and that they are actively discussed. I believe that I have highlighted the four main high risk areas to Local Authorities. Such bold moves as the Government are taking must be taken only knowing all the risks of such moves. I believe that without further action all four points above risk a significant burden being placed on the local tax payers, and in the extreme would risk the financial stability of the Authority.

December 2010

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**Written evidence submitted by Working Families**

**Summary**

— Working Families supports the direction of travel of the Universal Credit White Paper but deplores the current reductions in Working Tax Credit which undermine support for parents in work.

— Help with childcare costs is fundamental to providing parents with work incentives and Working Families’ response concentrates on this issue. Parents in the UK face high childcare costs and will not return to work without stable, quality childcare in place. There is an opportunity to radically reform how the state supports childcare costs and adequate time should be given to devise a workable system.

— Parents should not be sanctioned for failure to meet work requirements: removing money from a household with children will increase child poverty.

**Introduction**

1. Working Families is the UK’s leading work-life balance charity. We run a free legal helpline for parents and carers seeking advice on their employment rights and we support a network of 2,000 parents of disabled children who work or wish to work. We have particular expertise in advising disadvantaged parents on the financial impact of combining working and caring. We also work with employers to deliver family friendly workplaces and disseminate good practice and we conduct research into the impact of work on family life and the business case for flexible working.

2. Working Families welcomes the Universal Credit aims of streamlining the current benefit system and making work pay. However, we are concerned that the commitment that no one will lose as a direct result of these reforms does not take account of those affected by the 2010 budget and Comprehensive Spending Review changes. While the White Paper promises that “no one will experience a reduction in the benefit they receive as a result of the introduction of Universal Credit”, many people currently in receipt of Working Tax Credit will experience reduced benefits in the interim. Some people moving into work in the future may have less support in real terms than they would if they were moving into work now. The change to the childcare element of Working Tax Credit so that only 70%, instead of 80%, of childcare costs may be paid means some families will be up to £30 a week worse off from April 2011. The insistence that couples must work at least 24 hours a week from 2012 (instead of 16 as now) with one working at least 16 hours a week to be eligible for Working Tax Credit (WTC) will reduce the numbers eligible for WTC. Some parents—including those with disabled children—may not be able to offer more hours of work because they have heavy caring responsibilities. Others may ask but be refused by employers unable or unwilling to provide more work. These changes do not meet the aims of ensuring that work pays, and will leave poor families poorer and with less access to the support they need with childcare costs.
3. We would welcome a greater focus on poverty pay. The benefits system should not subsidise poor employers paying minimum wages. A move towards a living wage would significantly reduce the burden on the welfare budget and ensure more families were able to progress in work.

**Childcare**

4. Callers to Working Families’ free helpline support the view that complexity in the current benefit system provides a disincentive to work. For example, parents do not understand how much of their tax credit award is available for childcare costs, nor can they easily predict how a change in circumstances will affect their childcare support. This may deter parents from seeking more hours in work, for fear that their additional childcare costs will not be met. It is also very difficult to provide better-off calculations when parents are offered the choice of support with childcare costs through WTC and/or through employer-supported vouchers.

We support the continuation of both benefits-based assistance and employer-supported vouchers and but any system must clarify for parents how vouchers and other childcare assistance interact.

5. We very much support the intention to remove the arbitrary barriers to working a certain number of hours. Some parents find it difficult to move between 15 and 16 hours of work a week and are not therefore able to access support from WTC. Childcare costs via WTC are not payable unless both parents work 16 hours per week (or one works and the other is “incapacitated”) and stop immediately if one parent loses their job or decreases their hours below 16. Sometimes this results in the loss of a childcare place causing disruption to the child and making it more difficult for the parent to return to work. We welcome the proposals in the White Paper to provide incentives to take jobs of only a few hours a week and to provide support with childcare costs to all parents in work, even if they work only a few hours.

6. We welcome the intention to improve carers’ opportunities to maintain links with the world of work. Any reform of Carer’s Allowance should take account of the many carers who also have responsibility for children. At present those on Carer’s Allowance are not able to obtain support with their childcare costs through WTC. A full time carer of one child or adult may well need help with childcare for other children in the family. The current earnings rule in Carer’s Allowance (which requires that carers earn no more than £100 a week) creates not only disincentives to work but also complexities because of the interaction with means-tested benefits and tax credits which have different rules. Carers face similar problems to parents in working out whether or not they are better off in work.

7. Working Families believes that the Universal Credit reforms provide a real opportunity to radically reform childcare support through the benefits system. Parents do not understand the complex WTC calculations and providers do not understand that not all parents receive the maximum amount of the childcare element. We believe that any new system should be designed around the principles of simplicity and clarity, that payments must continue to be to parents rather than providers (to reflect parental choice of childcare), payments must take account of the number of children and whether they are disabled, and that payments must provide clear work incentives, both to ensure that parents are better off in work, and to ensure that progress in work is not undermined by high additional childcare costs.

8. A new system of childcare should address the following issues in particular:
   - an end to the demand that parents find 30% of the childcare costs: this creates a cost burden on low income families and a complexity of calculation that is unnecessary. It would be simpler to pay all costs up to a maximum amount;
   - support with childcare costs for those moving into work. It is disappointing that families can no longer receive help with childcare costs when they are training or seeking work. There is very limited support with this from Jobcentre Plus for some parents, but it does not go far enough and does not reflect parents’ real-life situations. This creates a real disincentive to work: without suitable childcare a parent will be reluctant to take on a job, but cannot afford to put their child in childcare until they receive a wage. Many providers demand upfront fees for childcare places which exacerbates the difficulties for out of work families. A temporary loss of a job can mean losing a childcare place: the benefit run-ons for four weeks go some way to alleviating this and need to be continued in any new system;
   - calculations for shorter fixed periods. Requiring parents to average out their childcare costs for a year in order to maximise the help they receive is unnecessarily complex and likely to lead to under and overpayments. Costs fluctuate significantly at school holiday times and can be difficult to calculate in advance. We would welcome consideration of payments of fixed amounts for fixed periods, outside of the Universal Credit (see below). The existing, welcome provision in Working Tax Credit which allows parents to claim childcare costs for holiday periods only should continue; and
   - childcare for disabled children costs significantly more than for non-disabled children and this should be recognised in the support paid.

9. We are not convinced that the best method of supporting childcare payments is by including them as part of the Universal Credit. Including childcare costs as an additional element or recognising a further disregard is not easy to explain to parents, nor will it be simple to see from an award how changes in circumstances will impact on the support with childcare costs. The Universal Credit is to provide a “basic allowance” for claimants...
whether in or out of work. However, the current rationale for assistance with childcare costs is to support the additional costs parents face in work. It may be argued therefore that they should be kept separate. If a decision is made to keep childcare payments within the Universal Credit, we would welcome further consultations about the format of award/decision notices. Parents need to understand the amount of help that they receive because of their childcare outgoings and the difference which childcare costs make to an award.

10. Other options have been explored in the past, such as fixed payments for fixed periods according to income bands. This would have the benefit of simplicity and clarity for parents: they would clearly be able to identify how much support they would receive according to their income. We recognise that this has the difficulty of "cliff edges" as parents move between income bands and lose entitlement to support with childcare costs. However, if work is always to pay, the impact of these could be minimised by ensuring the amount lost was significantly more than compensated for by the income gained.

11. We hope that the Universal Credit will continue the current system of, ensuring as far as possible that the main carer receives both Child Benefit and means-tested help for the children, unless a couple have agreed otherwise.

SANCTIONS

12. Working Families is disappointed that parents whose youngest child is five will need to actively seek work or risk sanctions. A five year old child may need considerable time settling into school and parental support is vital at this time. Working Families is opposed to any financial sanctions where children are involved. Sanctioning a parent for failure to meet a requirement to prepare for work will result in hardship for the whole family: children will be made poorer through no fault of their own. Conditionality is unnecessarily punitive in circumstances where the search for jobs may be futile: few jobs are currently advertised on a part time or flexible basis, and those that are may be for very low pay with little prospect of advancement.

13. It should be a matter for the parents, not the Jobcentre Plus adviser, to determine how much work is appropriate for a family with children. Parents who would prefer to look after their children themselves should not be forced into low paid jobs that simply cover the costs of someone else caring for their child. Many low paid jobs are not offered flexibly and some employers are unwilling to accommodate parents’ requests to spend time with their children. We welcome the recognition in the current system that lone parents of younger children should be able to restrict job searches to school hours, and that a lack of appropriate childcare should be considered a good reason to refuse a job. These principles should be expanded in any new system: parents of teenagers may want to work only school hours to be able to guide and support their children through exams or difficult times.

14. Parents should also be excluded from the mandatory work activity plans: requiring parents to attend full time employment for four weeks or face a loss of Jobseeker’s Allowance for three months is unjust and unreasonable. Few parents out of work would have childcare available and the full time work requirement runs counter to the other positive statements about encouraging mini-jobs and few hours of work where claimants have other responsibilities.

DELIVERY AND DISTRIBUTION

15. We welcome a streamlined approach and online accounts for Universal Credit payments where possible. However, some claimants will still need additional support to complete claims and do not have access to the internet. Families for whom English is not their first language, disabled people and vulnerable groups will need personal advice from individuals to understand how to claim and what their award means.

16. We support the provisions in the White Paper that ensure that workers will be able to work the number of hours that suits their needs and those of their employer. While "part time jobs and flexible working are much more common than they once were", nevertheless the Government needs to place an emphasis on flexible job creation if the potential benefits of this reform are to be realised. For many parents on benefits, the flexible jobs available do not offer decent wages or the prospect of advancement. Poor quality part time work contributes to parents cycling in and out of work. All jobs should be advertised on a flexible or part time basis, unless there is a sound business reason why not. Jobcentre Plus should ensure that family-friendly hours have been considered for all vacancies that they advertise. Only then will a move into work ensure that parents are "better off" both in terms of immediate increases in income and in terms of prospects of moving out of poverty over the long term.

December 2010
Written evidence submitted by Advice NI

BACKGROUND

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.

Membership of Advice NI is normally for organisations that provide significant advice and information services to the public. Advice NI has over 65 member organisations operating throughout Northern Ireland and providing information and advocacy services to over 117,000 people each year dealing with over 247,000 enquiries on an extensive range of matters including: social security, housing, debt, consumer and employment issues. For further information, please visit www.adviceni.net.

SUMMARY

The following list of points summarises Advice NI’s specific concerns in relation to the Universal Credit: welfare that works White Paper:

1. There is a general lack of detail and we have concerns that the figures and projections may not prove to be sufficiently robust.
2. We need more information on who will require transitional protection under the transfer from existing benefits to Universal Credit. After all this profile of person will be worse off as new claimants to Universal Credit.
3. Advice NI finds it difficult to accept that Government is genuinely interested in “protecting” those already on benefits who might lose out with introduction of Universal Credit, when one considers the raft of welfare cuts that have been proposed as a result of the June and October announcements.
4. In relation to the penalties/sanctions/conditionality that are being proposed, Advice NI believes that this approach is too draconian in the context of limited employment opportunities. We would also make the point that penalties and sanctions which reduce Universal Credit will impact on the household unit (Universal Credit is purported to be a household benefit) therefore will impact on the family unit & in particular children and child poverty.
5. Advice NI is mindful of research published by the Joseph Rowntree Foundation which questioned the effectiveness of benefit sanctions in terms of impact on crime rates; impact on household hardship; factors such as claimants’ understanding and awareness of how their responsibilities and the consequences of not meeting them limit the potential effectiveness of sanctions; lack of awareness amongst claimants of why sanctions imposed and how they could be reversed; sanctions could “punish” a lack of awareness rather than deliberate flouting of the rules; differential impact on most disadvantaged households; impact on benefit take-up; and lack of consistency in applying sanctions.
6. Advice NI would draw attention to the unique circumstances of Northern Ireland which need to be factored into the implementation of Universal Credit. Specific examples include (i) the fact that parts of the current benefits system is administered within different Departments within the Northern Ireland devolved administration; (ii) the weak childcare infrastructure in Northern Ireland and the lack of any childcare strategy; (iii) the growing problem of unemployment in Northern Ireland, for example over the year (2010), the Northern Ireland claimant count has increased by 8.9% (4,800), compared to a decrease of 10% in the UK as a whole; (iv) fact that society in NI is emerging from a period of conflict and many people are still suffering as a result (for example post traumatic stress, trauma to limbs, addiction rates, mental health issues).
7. There is an urgent need to clarify how housing costs will be calculated and administered within Universal Credit. Advice agencies are already seeing clients who are unable to meet mortgage and private rented costs as a result of cuts to Support for Mortgage Interest (SMI) and shortfalls between private rent and housing benefit. Cuts to housing support appear to be purely punitive and unfair given the economic situation in Northern Ireland and across the UK.
8. There is apparent confusion in the White Paper between Pension Credit and Universal Credit. If there is any differential between Pension Credit and Universal Credit this will undoubtedly cause confusion for both claimants and decision makers and undermine arguments in relation to simplification of the system.
9. Universal Credit fundamentally undermines the contribution principle, which Advice NI believes marks the beginning of the end for working age contribution based benefits. 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 introduction of Universal Credit (with an associated reduction in contributory benefit payments) will 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 a break in the direct link between contributions paid and accessibility to working age contributory benefits.
10. Advice NI is very concerned about how people with work limiting health conditions are currently treated and will be treated under Universal Credit. Undoubtedly more people are failing the Work Capability Assessment (which is the medical test for Employment and Support Allowance). Undoubtedly more people with moderate to severe work limiting health conditions are finding themselves claiming JSA and so may well be subjected to an inappropriate level of conditionality within the Universal Credit regime. We believe that there needs to be a fundamental review of the needs of people with work limiting health conditions and how they are properly supported within the Universal Credit system.

11. Following on from this point, in the current economic climate in Northern Ireland we would have to question the rationale and cost effectiveness of imposing greater conditionality on people with disabilities, older people; lone parents and others; not to mention the associated punitive measures regarding Housing Benefit and Support for Mortgage Interest cuts where people are unable to progress from benefits to work.

12. In terms of “stronger”, “personalised”, “targeted” conditionality on some job seekers, we would want to know more about this because it has the potential to be inconsistent and has the potential to actually be contrary to the vision of a “universal credit”.

13. In terms of access channels Advice NI is concerned that access to Universal Credit will “normally be through the internet”. Advice NI has already raised concerns about how HMRC appear to be driven by the need to increase efficiency savings by reducing their face to face access points. We would fear that face to face channels will be undermined due to cost considerations; whilst online and telephony will not appropriate for many vulnerable clients.

14. The White Paper states that claims for Universal Credit will be made on the basis of households rather than individuals and both members of a couple will be required to claim Universal Credit. It goes on to say that it is intended that the HM Revenue & Customs real-time information system will be used to identify earnings and to calculate the net Universal Credit payment. We foresee problems with this approach as HMRC systems operate on the basis of the individual not the household, therefore there is scope for dysfunction and inaccuracy to develop between the DWP-administered Universal Credit and the HMRC-relevant information used for income tax purposes.

15. The White Paper sets out the intention to introduce a £50 civil penalty which can be administered quickly to those who fail, without good excuse, to report changes to personal circumstances. Advice NI believes that before any attempt is made to introduce this draconian and punitive measure, the Government needs to be certain that claimants are made fully aware of what constitutes a relevant change in circumstances and have appropriate access channels to allow claimants to easily report these changes. Also in the interests of fairness a penalty should only apply to those changes in circumstances which significantly affect the amount of Universal Credit payable.

16. Advice NI would be opposed to the proposal to increase the maximum rate at which fraud debts can be recovered through deduction from benefits (by almost 25%). We would be concerned that this will reduce the household income below that set for that family increasing rate of debt recovery deductions from UC: too; impact on the family unit & children.

17. Advice NI is concerned about the proposal to “seek powers to enable us to widen the range of debts we can recover, to include those resulting from official error.” Advice NI believes that the introduction of such radical reform may be susceptible to inherent error (for example due to inadequate IT systems) and as such this approach is effectively passing the risk of error within the new system on to shoulders of claimants. We believe this is unfair and claimants should not be held liable for the failure of others.

18. Advice NI is concerned that with the introduction of Universal Credit, the current criteria for access to a range of passported benefits (for example, free school meals and health benefits such as exemption from prescription charges) will no longer exist. Passported benefits are a vital source of help and support for low income households and we would want reassurances that passported benefits are not subjected to additional cuts.

19. We have no doubt that people will be anxious about Universal Credit and what it will potentially mean for them. Advisers have already been inundated with requests for help from people affected by the welfare cuts announced in the June and October statements. Despite the claims that Universal Credit will simplify the system, we envisage that advice providers will see increased demands on their services from people seeking clarification about how the new system will work, and Advice NI would call for additional resources to be made available to the advice sector as the new system is introduced.

In conclusion, Advice NI believe that while there is merit in Universal Credit some fundamentals must be borne in mind: welfare expenditure has already been cut by approximately £20 billion therefore one could argue that this is quite a negative approach to making work pay. In terms of increasing conditionality and punitive sanctions into the system with the stated aim of moving people into work, Advice NI notes a recent forecast which estimates that at least one in 10 people will be unemployed in half of UK regions by 2015 (the Centre for Economics and Business Research). Even the most optimistic of forecasts question the strength of the economic recovery over the short to medium term. This would tend to cast doubt on the ability of any
reformed system to support people to make the move into employment, if there are no employment opportunities available.

December 2010

Written evidence submitted by Crisis

SUMMARY

1. Crisis, the national charity for single homeless people, has long been calling for reform of the welfare system. We welcome the basic principle of the simplification of the benefit system through the introduction of Universal Credit and a single unified taper.

2. Whilst we welcome moves towards a universal benefit, we believe that housing support is a special case not least due to regional and local variations in rent and the importance of housing stability. A universal system needs therefore to consider carefully how housing costs will be best accommodated. In particular, levels of housing support must retain a link to local or actual rents and for those that require them there should still be the ability for payments to be made direct to the landlord, as with the present system.

3. We are also concerned at how proposals that council tax benefit remains a locally administered benefit might work in practice and the potential impact this could have on the single benefit withdrawal rate and work incentives.

4. The central administration of Universal Credit by the Department for Work and Pensions could in principle help to further lessen complexity. The key, however, will be how well any system is administered rather than where it is administered from. The new IT system will be particularly important especially for those with fluctuating incomes; this needs to be robust enough to correctly and quickly assess entitlement to Universal Credit, supported by effective training for all advising staff and education for customers on their rights and responsibilities. It is essential that any IT system to support the introduction of the Universal Credit is simple and transparent for customers, that claimants only have to report changes to one department, and that benefit payments are made correctly and on time.

5. Finally, Crisis is concerned at the proposals to strengthen conditionality in the benefit system. We do not believe that sanctions are an effective work incentive as they can in fact in further demotivate individuals, particularly those who are vulnerable and with a range of needs and/or who have been out of work for a number of years. They can also cause hardship for individuals and undermine their housing stability.

HOUSING SUPPORT

6. It is important to note that there are far more local variations in rent than other living costs. Rents, particularly in the private rented sector, vary widely but in some areas, partly due to a lack of supply, they can be very high. The average weekly rent in England is £132 but in London for example this rises to £207.71 Localised support with housing costs has long been a feature of the welfare system and any changes to this particular element of support therefore needs particularly careful consideration.

7. The less local variation there is in a system of housing support, the greater the likelihood of higher rent areas across the country becoming unaffordable to those on lower incomes. This would be an undesirable policy outcome as it would exclude people on lower incomes from living in certain areas with significant implications for work incentives and mixed communities. It could also result in the creation of “benefit ghettos”, with higher concentrations of poorer households and impacts on communities’ aspirations, demand for and quality of services etc. Support with housing costs, in what ever form it takes, must therefore continue to reflect levels of rent in a local area.

8. We welcome the intention that, for those who rent, the housing cost element of UC will “be similar to the support currently provided through Housing Benefit”. However, Crisis has serious concerns over many of the changes to Housing Benefit announced in the Budget and Comprehensive Spending Review which will ultimately result in many claimants receiving a lower rate of benefit. As DWP’s own impact assessment of the Housing Benefit cuts has highlighted, these cuts will have a serious impact on those affected, reducing incomes, increasing hardship, homelessness and pressure on other budgets and services.

9. These concerns aside however, the Government has set out its intention that, in general, for those renting privately approximately 30% of properties should be affordable within Local Housing Allowance rates. Whilst Crisis has numerous concerns over this proposal, we believe that at the very least a system of Universal Credit must ensure that this proportion of properties remains affordable within LHA rates on an ongoing basis.

10. It is the Government’s intention to uprate LHA and then the housing cost element of UC by the Consumer Price Index. Government forecasts are that this will save £390 million. This suggests that it is a conscious policy decision that rates will increase at a considerably lower level than had they been pegged to rents. As rents generally rise faster than CPI, over time LHA rates are likely to be eroded. Between 1991–2009 for example, CPI averaged 2.86% per year and rent only inflation 5.43%. We are concerned therefore that the link

71 NHF (2009) Home Truths
between housing benefit and rent will be broken and, what’s more as rents rise at different levels in different parts of the country (due to economic factors and the local housing market), benefit levels will cease to reflect local rent levels.

11. We are therefore very concerned that over time, the housing support element of UC will cease to reflect rent levels meaning that in many areas housing benefit will no longer meet people’s housing costs and claimants will be unable to afford to live in those areas. We are deeply concerned at the impact these changes may have on people’s ability to find and sustain accommodation in the PRS in the medium to long term. This is a particular concern at a time when the PRS is increasingly being looked to by Government to address housing need as evidenced for example by proposals that the homelessness duty can be discharged into the PRS without a household’s consent.

12. We therefore believe that any system of universal credit must build in checks to ensure that 30% of market rents in each area remain affordable. Such checks could for example be based on a similar system to the way in which LHA rates are set at present whereby rent officers calculate the rates based on actual rents. If rent officers were to continue to perform such a check on, say, an annual basis rather than monthly as at present this could help to ensure that in principle 30% of market rents remain affordable to those on benefit whilst reducing some of the complexity associated with a more frequent recalculation of rates. The Valuation Office Agency could retain its role in ensuring that housing support remains appropriate to housing costs.

13. Likewise, consideration needs to be given as to how best to uprate the caps to housing benefit which are being introduced. If they are to be uprated simply by CPI, then, over time, increasing numbers of areas, will become affected. In order to prevent this happening, at the very least, Crisis believes they should be uprated by rent inflation with consideration given to the number of areas affected by the caps. We would not like to see and do not believe it to be the Government’s intention that the caps should cover ever greater numbers of localities. There should be a review built in to ensure this doesn’t happen. This could be similar to the annual pegging of housing costs to local rents and could ensure that the caps were inflated sufficiently to prevent rates in other areas being further suppressed by them.

14. The White Paper sets out its intention that for social rented sector tenants, housing support will be based on actual rents as it is currently (with the exception of households who are ‘under occupying’ their properties). Whilst we support this principle, careful consideration needs to be given as to how such a local, indeed individual, variation in the level of support required, will fit within a universal, centralised system. One option would be to give RSLs a role in feeding in information about the level of rent a claimant is eligible to pay. The resulting amount could form the additional amount or add on for housing costs. This will of course add a degree of complexity to the system but we believe that this is necessary to ensure that people are able to meet their housing costs.

15. Another issue which requires particular consideration is that of direct payments. At present, for all social tenants, payments of housing benefit go direct to the landlord. The White Paper states that there are advantages to paying the housing component of UC to individuals but acknowledges the importance of stable rental income for social landlords. With affordable housing budgets already facing huge cuts, it is all the more important that changes to the way in which housing support is delivered does not disrupt the current ability of RSLs to borrow to finance the building of new social homes.

16. It is also important that vulnerable tenants in the PRS, who will otherwise face difficulties in paying their rents, are protected from eviction and homelessness by the provision that housing support can be paid direct to the landlord.

17. We believe that any system must therefore retain the ability for support with housing costs to be paid direct to the landlord. The White Paper briefly sets out that this could mean retaining a direct payment element or the use of direct debits alongside a protection mechanism. These proposals clearly need some detailed consideration and consultation to ensure that they can achieve the aim of protecting people’s housing stability.

18. Consideration must also be given as to how the current safeguarding criteria for vulnerable households could work in a centralised system and whether decisions on applications made under these criteria are best taken centrally or locally. It is likely that whatever the mechanism it will entail some degree of complexity but Crisis strongly believes that protecting people’s housing stability and preventing homelessness should be a guiding principle in introducing a new form of housing support.

COUNCIL TAX BENEFIT

19. We are concerned that 10% cuts to Council Tax expenditure could lead to hardship for many households. What’s more if Government intends, as is set out in the White Paper, to protect the “most vulnerable, particularly pensioners”, this could mean deeper cuts to support for other groups. In effect, it could mean a situation whereby households will have to pay some tax, regardless of their ability to do so and could be reminiscent of the poll tax, with local authorities chasing large numbers of low income households for relatively small amounts of council tax. As well as the hardship this could cause to low income households and public concern that it could generate, it could also pose real administrative challenges and extra costs for authorities.

20. We are also unclear as to how a localised system of council tax benefit might sit alongside Universal Credit. The White Paper is clear that it should not undermine the positive impact of UC on work incentives.
Presumably, this means that the withdrawal of CTB would need to be consistent with the rate of withdrawal of UC. Otherwise, it could mean that households faced higher and different withdrawal rates undermine the very principles of UC—around simplification and increasing work incentives.

**Mandatory Work Activity and Conditionality**

21. We have concerns that mandatory work activity is not the right approach. We understand that there may be some value in it for a small number of benefit recipients. However, we believe these groups to be in a minority and we are concerned that for those who’ve been out of the labour market for a considerable period of time and clearly face barriers to finding work and particularly for those who are vulnerable, this approach could in fact be detrimental.

22. If an individual is already doing a course or undertaking other useful activity which they then have to stop in order to undertake mandatory work activity, then this could in fact be undermine the individual’s development and progression towards work. We are unclear how, with no employment opportunity at the end, compulsory work would help someone move closer to employment. In fact, it appears to be a mainly punitive measure and we are unclear how these work placements will significantly differ from community sentences for offenders.

23. We have additional concerns that this scheme may have a detrimental effect on more vulnerable clients, especially individuals who may, for example, have mental health problems (which may not be immediately identifiable and who may still be in receipt of the JSA element of UC). These compulsory work trials could also serve to stigmatise individuals and put off potential employers.

24. As well as how this scheme would compare to community sentences, we are also unclear how such a scheme would sit alongside genuine volunteering. Crisis places great value on the role volunteering can play in helping people towards work. Perhaps a better route would be to offer people a suitable volunteering placement which can increase people’s confidence and motivation, build up skills and be of benefit to the community. All placements would however, need to be meaningful and of benefit to the individual undertaking them.

25. We are also concerned about proposals to increase conditionality and sanctions which could result in people’s benefits being withheld for up to three years. Bar a few exceptional cases, our experience is that most people on benefits want to work but face significant barriers to doing so. Reducing or stopping someone’s benefit and undermining their stability is unlikely to help them move towards work but could instead effect their ability to look after themselves and their family, to pay their rent, bills and so on. We do not want to see people facing unnecessary hardship or getting into arrears and debt as a result of this approach.

26. This is particularly the case for more vulnerable people. Any moves towards greater conditionality and a tougher sanctions regime must ensure that it has sufficient safeguards to protect more vulnerable individuals from being unduly penalised. While some individuals may appear not to be complying with the conditions placed on them, this may in fact be unintentional and due to a vulnerability, such as a mental health condition. We must ensure that advisors are trained to recognise this and that individuals are not inappropriately penalised. Crisis has particular concerns about the possibility of benefit sanctions leading to homelessness. We cannot stress strongly enough that we would be extremely concerned at the introduction of any policy which could lead to an increase in the number of people becoming homeless.

27. We are also concerned at proposals to replace hardship payments with loans and to potentially limit the ability of those facing sanctions to apply for them. We do not believe it would be desirable or help to improve work incentives, to leave people facing severe hardship or be saddled with debt which they face little prospect of being able to pay off. Debt can be particularly disastrous for those on low incomes and actually serve to undermine work incentives.

**Universal Credit Delivery**

28. It is essential that the IT systems to support a Universal Credit should be robust, and make applications to benefit easier and more transparent. The new IT system needs to work accurately and efficiently, and avoid the previous types of errors that the HMRC Tax Credits system made in overpaying billions of pounds in benefits.

29. An automated/self-service system may exclude many of the most vulnerable people, who may not have access to computers, or be skilled in their use. It will be important that adequate phone but also face to face access routes remain available for all those who need them.

30. We also believe that a monthly payment of Universal Credit could present difficulties for more vulnerable customers who may have problems budgeting. There should therefore remain the option of more frequent payments for those that require them. Many other customers may require support with financial management skills and we would like to see an increase in the availability of such support.
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Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change. Our innovative education, employment, housing and well-being services address individual needs and help people to transform their lives.

As well as delivering services, we are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience. Crisis has ambitious plans for the future and we are committed to help more people in more places across the UK. We know we won’t end homelessness overnight or on our own but we take a lead, collaborate with others and, together, make change happen.

December 2010

Written evidence submitted by Ferret Information Systems Ltd

Introduction

1. Ferret Information Systems has, for almost 30 years, specialised in analysing and modelling the effects of social security legislation and guidance for use in assessment and advice. It has applied these skills to understanding the proposals in the White Paper.

Summary

— The White Paper itself is lacking in necessary detail on the proposals and, more importantly, appears to contain misleading information about the effect of the proposals.
— Universal Credit has a mixed effect but appears regressive for the lowest earners.
— Building the Universal Credit on the core elements of the existing benefits system creates an easier route to understanding and migration but also embeds some problems which conflict with the stated aim of simplification.
— There are potential problems caused by issues of transition and duplicate systems.
— There are larger number of single elements on which success is dependant than seems prudent.
— Housing costs reduction incentives, which seem to be part of the policy present unfortunate side effects.

The White Paper

2. It is difficult to analyse the proposals in the White Paper to a satisfactory level, for Ferret, as much of the detail of the Universal Credit is explicitly, or implicitly, awaiting decisions. We have modelled, as far as we have been able, the Credit, and the path to it, and the results are commented on later and in an attached publication.72

3. The White Paper appears, to us, to have been produced without the expected thoroughness of consideration or clarity of approach which normally characterises such policy proposals. In an area of such importance, to individuals and to the state, there is an impression of hurried superficiality which leads us to hope that the Bill will be subject to extremely careful examination, analysis and debate in its progress.

4. We are disturbed however by what seem to be some misleading elements within the White Paper.

White Paper Figure 1

5. Figure 1 on page 9 of the paper appears within the section Poor work incentives and is referred to in paragraph 16. It is not specified whether this chart is meant to show the situation of a person entering employment or already in steady-state employment, which will show a very different pattern.

6. The second chart shows our analysis of the same situation. We have assumed that, from the context of work incentives, the chart is showing the situation of someone entering employment.

7. In our analysis the white paper chart is wrong at the 30-hours point—it should show a negative MDR, not zero.

8. Also, the white paper chart appears to suggest that the MDR exceeds 90% for part of the pre-30-hours range and all of the 30–40 hours range—which it does not. It peaks at just under 90% and is around 75% in the 30–40 hours range, dropping to about 31% once HB has tapered away. At no point does it reach the 96% referred to in the text.

9. The chart in the paper appears to have applied the tax credit tapers as if any increase in gross income caused an immediate re-assessment (as is intended to happen in the Universal Credit proposals) which is not what happens in the present system.

10. The (currently £25,000) year-on-year disregard of increasing income is removed entirely from this model. As a result it shows an artificially high disincentive to increasing work hours or pay above the 16 hours per week mark.

11. Hours worked have little impact above 16 per week, except for the slight boost to WTC by the addition of the 30-hour element into the total credit (and the resulting negative MDR, not zero). Other than that, the
extra hours just mean extra gross pay. If modelling extra hours realistically for a single parent the model should take the effect of increasing childcare costs into account.

12. This representation of the “current system” does not include the In Work Credit, worth a minimum of an additional £40 per week, that a lone parent would receive (albeit for a year only) when transitioning from under 16 to over 16 hours per week.

**White Paper Figure 3**

13. Figure 3 of the White paper appears on page 15 of the paper and shows the effect of the reduction of increasing earnings under Universal Credit. The taper described in the text has a withdrawal rate of 65% from net earnings.

14. No information is given about housing costs or other circumstances. No figures are provided.

15. In our annotated copy of the chart below it will be seen that we estimate the taper as about 45%. It should be not less than 75% (given stated 65% UC taper and that Earnings are gross).

![Figure 3](image-url)
16. We estimate, crudely, that the starting, no earnings, level is c£245. Using a rental figure of £80 pw (used in an example elsewhere in the White Paper), and a taper of 65% against net earnings, our model, below, produces a result where Universal Credit is extinguished at earnings of just over £550 per week rather than continuing past £600 as shown in the White Paper.

Regressive for the Lowest Earners

17. We refer, in following the references to examples, to the paper *Benefits in the Future—Welfare after the White Paper* published by Ferret in December 2010 and supplied to the committee in a separate hard copy.

18. It can be seen in Examples 1 and 3 that for tenants on low earnings the effect of the UC assessment will be clearly regressive with those on £10,000 a year gross earnings becoming worse off in comparison with those earning £20,000 a year.

Building on the Existing System

19. In essence the “newness” of Universal Credit will only be partial. Much of the structure will, at least initially, owe much to the existing system.

20. Any means-tested benefit has three elements

   — An assessment of “needs”.
   — An assessment of “resources”.
   — A calculation of entitlement based on needs and resources.

21. The White paper tells us that Universal Credit will share much of the first two elements with the existing system and that it is the final calculation of entitlement which will differentiate it and simplify the current complexities. This presumably means that the complexities within the first two elements will remain.

22. We broadly welcome the move towards a single tapered withdrawal from a more universal starting point although we have concerns about the rates of award. We particularly welcome the effective abolition of “unemployment” as a concept and flexibility that Universal Credit (UC) will bring to patterns of employment.

23. We are concerned, however, about other areas that UC will inherit from the existing system, in particular some of the changes introduced in the Emergency Budget and the Comprehensive Spending Review earlier this year.

24. The anomalies, and poverty traps, caused by the introduction of a £500 benefits cap, shown in examples 22 to 24 in the Ferret paper continue in UC.

25. The effects of the High Rent cap, shown in examples 25a and 25b are, if anything, even more exaggerated in UC.
26. Some of these, and the effects in examples 17 to 21, may be considered outliers but dealing with them will reduce the likelihood of achieving a simple and transparent scheme that customers will understand easily.

**Transition and Duplicate Systems**

27. The stated intention to introduce UC for new claims from 2013, while continuing to run the existing benefits system in parallel, seems unwise. We have been told that no pilot of UC is necessary as the scheme will be so simple. Recent experiences of transitions between schemes, such as the move from child allowances in means tested benefits to Child Tax Credit and the move from the “old” to “new” Child Support schemes, have demonstrated that these tend to take longer and have more complexities than first thought. It may also be that the introduction of two parallel Housing Benefit schemes from April 2011 for nearly two years may create further complexities.

28. The White Paper says “Contributory Jobseeker’s Allowance will continue in its current form but with the same earnings rules (such as disregards and tapered withdrawal) as Universal Credit”. How this means-testing will operate is unclear but it can only add further complexity into a system which is intended to become simpler.

**Points of Failure**

29. A change to the benefits system of this magnitude may be expected to have associated risks. It seems to us though that the proposed speed of development and introduction of Universal Credit has more risks than might be thought comfortable.

30. There are risks of timing, in particular those associated with the development of the HMRC PAYE system which will be needed for UC to function as intended. Dame Lesley Strathie, Permanent Secretary and Chief Executive, HM Revenue and Customs appeared before the Public Accounts Committee in November and it seems clear, from evidence at that session, that there are very serious issues about the length of time it will take to have a fully functioning system in operation.

31. There are risks in the development of detail of the scheme. The final rules and rates will decide what the effects on claimants will be and what the costs of the scheme will be. A generous scheme can afford to be simple. A system which is less generous will need to introduce complexities into its operation to account of special needs and hard cases. Unless the rules are developed, and tested, early in the process then there is a danger of more, and greater, late amendment which, in turn, will introduce feedbacks of more potential delays.

32. There are risks in the relationship between the DWP, local authorities and devolved administrations. The movement of responsibility and data will depend upon efficient, economical and willing co-operation between a large number of organisations. Such co-operation may well depend on political good will, as well as the capabilities and systems of the different parties. In particular the fact that housing support for tenants and Council Tax Benefit will become much more localised and variable from place to place will make relationships with different authorities more individual. Councils will be able to operate their own Council Tax support schemes while rent limits for Housing Benefit will become embedded at different levels in different areas.

33. There are risks in the proposed move towards internet claiming and other processes; this is an untried development with technical and social uncertainties.

34. The length of time that transitional protection may continue for some claimants will place more stress on the operation of the scheme.

**Housing Support and Incentives**

35. One of the implied policies within the White Paper is the use of earnings disregards to reward those who have lower housing costs. It can be seen in the Ferret paper, from page 44, that there are some rewards for those who have a mortgage on their homes rather than those who rent but the big rewards are put in place for those who do not have any housing expenses.

36. As can be seen in the chart on page 51 those fortunate enough to own their own home outright, or to have been given one by parents, for example, will be substantially better off from low earnings than those who are not so lucky.

**Conclusion**

37. We feel that there is much of value in these proposals, as outlined, but that much more detail is needed to properly evaluate them.

38. We caution against the proposed time scales which seem unrealistically ambitious.

39. We are concerned that economic savings may carry more weight than drivers towards an improved benefits system.
Ferret Information Systems

40. Ferret is the world’s leading company specialising in the application of technology to advanced advice and information for the individual. We focus on areas linked to social welfare, assessment and support.

41. In 30 years of innovation Ferret has grown out of a Citizens Advice Bureaux project, into a multi-award winning company whose world’s first’s include the world’s first large scale roll-out of mobile technology in government and the world’s first Web based benefits assessment system—in 1995.

42. Ferret specialises in holistic assessment of financial circumstances, coupled with a software development methodology which offers a high level of flexibility and rapid updating to reflect rule.

43. Ferret provides consultancy to companies, organisations and government on the impact of legislative and policy changes on their business and customers.

December 2010

Written evidence submitted by Access to Benefits (A2B)

1.0 Introduction

1.1 A2B is a not-for-profit organisation with a four year, fixed term life-span. Its vision is to empower and enable the older people of Northern Ireland to maximise their take-up of benefit entitlements.

1.2 A2B has developed online resources available to older people, their carers and Voluntary Sector and Governmental advisers to screen older people for benefit eligibility, prepare their claims applications and submit their data for claims processing. Additionally, it provides its all-age-group partners with the online resources required to provide identical screening mechanisms to other age groups.

1.3 A2B welcomes the opportunity to respond to the White Paper. This response is in addition to our endorsement of the Welfare Reform Group paper, submitted by the Law Centre NI. In it we cover some general overarching points followed by a more detailed analysis of key points within the White Paper.

2.0 General Points

2.1 A2B supports the Government’s commitment to “reforming the welfare system to make it fairer, more affordable and to tackle poverty and welfare dependency, whilst continuing to support the most vulnerable in society”. There are many problems with the current welfare system, not least its vast complexity, and any moves to make it simpler and easier would be welcome. We also welcome any moves to reduce fraud and error, but this should be done with the interests of vulnerable claimants in mind—fear of being accused of fraud and/or of making a mistake in a benefit claim dissuades many older people from claiming in the first place.

2.2 However, our biggest concern is that there is very little detail within the White Paper as to how the reforms will actually work in practice. Section 3 covers our main queries and requests for clarification. It seems that, in particular, the needs of older workers have not been considered in planning Universal Credit, yet our population is ageing and both the State Pension age and retirement age are rising.

2.3 The detailed comments below should be read in the context of the gradual rise in State Pension age (SPA). While the minimum age is rising for women, men cannot claim Retirement Pension until 65, yet would be eligible for Pension Credit from the time they reach the minimum SPA. This means that many people aged over the minimum SPA will be in employment, or indeed seeking employment. They may also have school-age children of their own or be responsible for children such as grandchildren, or be carers or have disabilities. The boundaries between working age and pension age are becoming blurred and the Universal Credit needs to adapt to this.

2.4 While we appreciate that the White Paper does not specifically cover Northern Ireland and we will be responding to the local consultation in due course, it is important that devolved issues are taken into account in the overall framework for Universal Credit as there is little scope to change the new benefit at a local level once it has been established. Northern Ireland has higher levels of disability, higher transport costs and poorer childcare infrastructure, all of which make it more difficult for those seeking employment.

2.5 It must be remembered that “welfare dependency” comes in many forms. The most negative images, perpetuated by the media, of benefit fraudsters and people who do not want to work portray only the minority. Many older people rely on the benefit system which they have paid into during their working lives while many working people are supplementing their low incomes with benefits such as Tax Credits or Housing Benefit. Any changes must be fair to all these claimants.

3.0 Detailed Comments

3.1 The remainder of this response consists of detailed comments on the specific items within the White Paper. Where appropriate, paragraphs are referenced.
3.2 Will the new single taper for Housing Benefit/ Council Tax Benefit also apply to the new housing element for people claiming Pension Credit? (p15, para 8)

3.3 For how long will the additional amount be paid to top up previous benefit rates, if the claimant will lose out under the move to Universal Credit? Will this be permanent or time-limited? (16, 13)

3.4 We welcome any initiatives which might lead to increase in take-up but on the other hand the prospect of sanctions may well put off potential claimants. The White Paper states that the simplicity of Universal Credit will lead to greater uptake. Pension Credit is meant to be a simple benefit but it is still widely underclaimed. Will people be made aware of how to claim Universal Credit and how it applies to them? There are other barriers which many people face, including language, literacy and mental health issues, which will continue to prevent them from engaging with the welfare system. Additionally, some people may not be able to claim Universal Credit due to changes to eligibility for other benefits eg Disability Living Allowance, Employment and Support Allowance. (17, 17)

3.5 Will the existing criteria be used for additional amounts for carers, disability etc? Will the concept of “no worse off” also apply if the additional amount criteria are changed and someone who was previously entitled to a premium no longer meets the criteria? (18, 18)

3.6 We would direct the Committee’s attention to the work on disregards currently being carried out by OFMDFM in Northern Ireland, looking at earnings disregards and child poverty. (18, 18)

3.7 The White Paper states that “the model introduced in 2008 for ESA has worked well”. However, the recently released Harrington report would show that there is much room for improvement. We appreciate that the Department has taken on board many of the recommendations but we would caution against using the same approach for changes to other benefits in the meantime. (18, 21)

3.8 We would welcome clarification on when decisions will be made re carers. Recent research showed that carers in Northern Ireland are missing out on millions of pounds of benefit. It is vital that the future of benefits for carers is made clear. (19, 27)

3.9 Who decides what is “fair but not excessive” in terms of housing costs? There are many different circumstances in many different areas and what is seen as fair for one person might not be fair for another. For example, an older person receiving State Pension and Housing Benefit should not be expected to have to find new accommodation without help and support to do so. This is particularly important if they have strong community support structures which can be vital in preventing an older person from needing hospital or care home accommodation. (19, 29)

3.10 Direct payment of Housing Benefit to the individual is not always appropriate and there are many cases in Northern Ireland where the payment is still made to the landlord. What will be done to support the most vulnerable tenants if this change is made? (20, 31)

3.11 We welcome plans to increase data sharing but it needs to follow the most rigorous standards and procedures, following too many cases of data losses which have made the news in the past few years. It is important to keep claimants informed of what you are doing with their data, in language they will understand. (21, 37)

3.12 Much more detail is needed on changes to Pension Credit and how they will work. Will the rates available for housing costs and children be the same as for Universal Credit? What about the tapers for housing costs? Will a claimant still be able to claim for housing costs and help with children even if they don’t meet the means test for Pension Credit itself? (22, 48)

3.13 Much more detail is required on the differences between working and claiming Universal Credit and not working and claiming Pension Credit. For example, what will happen if someone is claiming Pension Credit and then decides to take up work, or vice versa? What will the process be for transitions between the two benefits? Will a claimant be able to defer State Pension and claim Universal Credit? No one should be worse off in terms of the additional elements or passported benefits when moving from one benefit to the other. The possible variations in interaction between two different benefit systems could end up making the system much more complicated for people over SPA. (22, 49)

3.14 There may be future consequences of preventing people from gaining National Insurance Credits. Care should be taken that this is not causing new issues for the future when these people may not have adequate pension provision. (23, 51)

3.15 Will recipients of Attendance Allowance be exempt from the benefit cap if they are claiming Universal Credit ie are over 65 with an illness or disability and are in employment? (23, 52)

3.16 No mention is made of age throughout the section on sanctions. What if the claimant is a single older parent or guardian (eg grandparent) over SPA? What if someone over SPA wants help with jobseeking? If someone over SPA is working and claiming UC, will they be subject to sanctions? What about support for people over 50 who find it harder to find work due to discrimination? It seems that age has not been considered at all here.
3.17 The conditionality and sanctions outlined do not take into account the need for there to be jobs available, the need for training and support and the discrimination often faced by older workers. (26, 4)

3.18 Lack of suitable childcare, particularly in Northern Ireland, is a large barrier to participation. This applies in equal measure to older parents and also to older people who are responsible for a child, such as grandparents who have stepped in when the parents are unable to do so. (26, 7)

3.19 The personalised approach to conditionality is not balanced by any mention of personalised support. This is of huge importance to older workers, people with disabilities and the long-term unemployed, all of whom may need more specialised help in finding employment. (27, 10)

3.20 Will “claimant commitments” be required of jobseekers and claimants who are over SPA? (28, 12)

3.21 The wider costs and consequences of sanctions have not been considered—sanctions are necessary in some cases but may lead to other issues including marital breakdown, drug or alcohol dependency or mental health problems. This will, in time, put a strain on other services. (28, 14)

3.22 We would welcome clarification of whether hardship payments will continue to be made at the existing level? (29, 16)

3.23 Will Mandatory Work Activity be required of jobseekers over SPA or will they be able to get help with finding work without having to meet other conditions? (29, 17)

3.24 It may be difficult to nominate a lead carer in some more complicated relationships or where the child(ren) is in the care of a guardian eg grandparent. This needs to be planned for. (31, 20)

3.25 We have some concerns regarding the idea that people will not only have to find work but then increase their hours or face sanctions—for many people, particularly those with a disability, it is difficult enough to move into work. Further pressure to then increase working hours may do more harm than good. (31, 22)

3.26 If both members of a couple are over SPA but one is working, will they have the option between Pension Credit and Universal Credit or will they have to claim Universal Credit? Again, much more detail is needed and thought should be given to couples in this situation. (33, 5)

3.27 The White Paper states that claims will “normally be made over the internet”—how else can they be made? We welcome the idea of a single application but more information is needed about how the system will work for people who don’t have internet access. (33, 5)

3.28 How will claimants be able to access their claim information if they don’t have the internet? How can claimants notify the authorities of changes of circumstances without internet access? (34, 8)

3.29 We believe that the three month continuation of records is a good idea—will this also happen if the Universal Credit claimant moves on to Pension Credit, in case they decide to return to work? (34, 11)

3.30 While the White Paper does mention some efforts for those without the internet, more detail is needed. What will happen with ongoing communications eg award notifications—will these continue to be sent out to claimants in writing? (38, 27)

3.31 Will people over SPA have access to the support of the Work Programme, if they so wish? Many jobseekers over SPA would benefit from tailored support. (39, 29)

3.32 As associate members of the Institute of Revenues, Rating and Valuation, we are aware of many examples of Local Authorities working towards better social inclusion and benefit uptake. The years of good practice developed by Local Authorities in the administration of benefits must not simply be lost (39, 31)

3.33 The world of work is much more unstable these days and many people work in more complicated patterns. How will the real time earnings system cope with fluctuations eg shift patterns, overtime, seasonal or term-time employment? (43, 9)

3.34 We are very concerned about the possible impact of £50 fines on older people in difficult circumstances eg bereavement, serious illness. It is too easy for them to make mistakes or forget to report a change in such circumstances and there must be some level of flexibility to protect vulnerable claimants. (43, 14)

3.35 There also needs to be protection from debt recovery due to official error for the most vulnerable claimants. (44, 19)

3.36 Stopping Contributions-Based Employment and Support Allowance after one year is unfair to those with many years of National Insurance contributions, particularly older workers. (46, 1)

3.37 The White Paper states that after ESA (CB) stops, people “may be able to” get UC. What if they can’t? There will surely be some gaps and this needs to be anticipated now. The transition process needs to be clear and simple. (46, 8)

3.38 We welcome continued automatic payment of Cold Weather Payments which are of great value to older people, particularly in recent cold winters. (47, 10)
3.39 We are concerned that existing recipients of passported benefits could lose out and would welcome further detail on whether passported benefits will also be covered by the principle of no one being any worse off after the change? Passported benefits are very important to recipients—how will they be administered outside the Universal Credit system, for example with Pension Credit? (48, 14–16)

3.40 Will the idea that people will “automatically receive everything they are entitled to” apply to people receiving benefits outside the scope of Universal Credit? (52, 8)

3.41 We would like to see more information on the potential impact on poverty for people who are working but over SPA. (52, 9)

December 2010

Written evidence submitted by Age UK

Key Points and Recommendations

Age UK supports the Government’s aim to reform the benefit system and introduce a simpler system which tackles poverty and provides better incentives to work. However the Government should not underestimate the challenges ahead in taking forward this agenda.

In addition to removing financial disincentives in the welfare system it is important to address other barriers to work. We are concerned that people in their 50s and 60s may face increased conditionality without the support needed and suitable employment opportunities.

Much of the detail remains to be worked out. In taking forward reform it will be important to balance simplicity with having a system that reflects individual need. The marginal withdrawal rates need to provide a clear incentive to work.

We appreciate that the Government wants to move towards greater localism but we do not believe it is appropriate to apply this approach to Council Tax Benefit (CTB). Localising benefit alongside a 10% reduction in expenditure could lead to uneven outcomes, hardship and increased complexity.

For older people we agree that the best approach would be to bring support for rent alongside help with other housing costs within Pension Credit. Claims for CTB could also be integrated if this is retained as a national entitlement. The marginal withdrawal rates for older people should also be reviewed.

Older couples where one has reached state pension age and the other is younger, and older people with dependent children should not be disadvantaged by the reforms and those with earnings should not face higher marginal deduction rates than younger people.

Reforms to meet the needs of younger and older carers are long overdue and the system needs to ensure that all who provide substantial care receive financial recognition and adequate support.

Introducing the Universal Credit is a major administrative task and systems must be are tested and shown to work before this is done. The Government must be prepared to delay introduction if necessary.

1. Introduction

1.1 Age UK works to improve later life for everyone through our information and advice service, campaigns, products, training and research. We welcome the opportunity to comment to the Committee on the White Paper Universal Credit: Welfare that Works. This response looks at the impact on people in their 50s and early 60s who are unemployed, disabled or carers, the interaction between the Universal Credit and the benefit system for people who have reached state pension age, and other aspects of the reforms that could particularly affect older people.

2. Principles and Approach

2.1 Age UK supports the Government’s aim to reform the benefit system and introduce a simpler system which tackles poverty and provides better incentives to work. The Government is right to be ambitious about welfare reform but should not underestimate the challenge both in terms of getting the policy right and putting changes into practice. The details need to be developed with wide consultation and broad political and public support.

2.2 While we support the aim of providing greater incentives to work it is important to ensure that those who cannot be expected to be in paid work on a temporary or long term basis or who are unable to find employment, should be entitled to an adequate income relative to general living standards. The welfare systems and debate about reform should not stigmatise those who cannot undertake paid work.

3. Addressing Barriers to Work for People Aged 50 and Over

3.1 In addition to removing financial disincentives in the welfare system it is important to address other barriers to work including the availability of suitable jobs. People need personalised help to re-enter the labour
market, improved access to training and learning, more opportunities for flexible working and changes in employers’ attitudes so they are more prepared to take on older workers or those with health problems or disabilities. The development of the Work Programme needs to be responsive to the needs of people in their 50s and 60s, especially given proposals to speed up the increase in state pension age. We believe age discrimination is a significant barrier to work, yet is largely a hidden problem. This makes it harder to tackle and quantify the costs involved, but does not mean it should be ignored by the Government’s welfare programmes. There are also other barriers to work for older people, for example having lower formal qualifications and caring responsibilities.

3.2 We are concerned that people in their 50s and 60s may face increased conditionality without the support needed or suitable employment opportunities. Research we commissioned found that unemployed individuals aged 50 and over did not feel fully supported by their Jobcentre Plus. Since then Jobcentre Plus has introduced new measures to help their staff engage better, but the service still does not meet many of the concerns raised in the report. We are not convinced that the case has been made for additional conditionality. Older workers may find themselves in a situation where through no fault of their own they are unable to find employment, but could still be subjected to punitive sanctions. The Government should ensure that jobseekers of all ages and disabilities enjoy a level playing field in the search for work.

4. The Design of Universal Credit

4.1 Only an overview of the structure of Universal Credit has been given and much will depend on the details including the levels of payments, the design of additions such as those for disability and caring, earnings disregards and interaction with other elements of the welfare system including passported benefits. Some complexity is inevitable given people’s different and changing circumstances and there will need to be a balance between simplifying systems and reflecting individual needs.

4.2 A single taper should remove some of the complex interactions between different benefits and tax credits. The paper proposes a withdrawal rate of 65% which will result in a 76% withdrawal rate for basic rate taxpayers. People will no longer face a rate which exceeds 90% but will still gain relatively little from starting to work. And some will face higher withdrawal rates. Currently around 1.2 million people in work face a withdrawal rate of less than 60% but this will fall to 900,000. It will be important to test out the acceptability of the system including the withdrawal rate.

4.3 Although we support the aim of a single system it brings risks. If there is an error or delay with one element of the claim this could leave someone without any support whereas if people receive help from a variety of sources a problem with one benefit will not affect other claims. Systems need to be developed in a way that ensures different elements can be paid independently where necessary and there is provision for interim payments.

5. Council Tax Benefit

5.1 Council tax is a fixed and compulsory charge. We appreciate that the Government wants to move towards greater localism but we do not believe it is appropriate to apply this approach to Council Tax Benefit (CTB). Once taxes are set older people and others on a low income need to have the peace of mind of knowing they will be entitled to a certain level of benefit or rebate.

5.2 Localising benefit would inevitably lead to different outcomes and to introduce this alongside a 10% reduction in expenditure could lead to hardship as well as an uneven system of support. We note that the Government “will aim to protect the most vulnerable, particularly pensioners” but it is difficult to see how this could be guaranteed in a locally run system. We also recognise that there are younger people in a range of different circumstances who rely heavily on CTB to meet their local taxes. In the interest of age equality and social cohesion we believe the benefit or rebate system should work in the same way for all groups.

5.3 The Government has said that the marginal deduction rates in the White Paper assume that help with council tax is included in the Universal Credit and that the DWP would work with local government and the devolved administrations on the development of a system where local authorities have more say on the administration. It is unclear how this would work in practice and it could add greater complexity and uncertainty for individuals when the aim is to simplify the systems.

6. Upper Age

6.1 Given the radical changes there could be an increased difference between income-related support for people above and below state pension age. The system needs to be developed in a way that ensures a smooth transition at state pension age with information seamlessly transferred to the Pension, Disability and Carers Service (PDCS) minimising requirements on individuals to provide information already held within the DWP.

6.2 Decisions will need to be made about the treatment of couples where one has reached women’s state pension age and the other is younger. In general levels of means-tested benefits tend to be somewhat more generous for people over women’s state pension age although the Universal Credit marginal deduction rates

could be less steep. Reforms need to ensure that the system is clear for couples of different ages and overall we would not expect any reforms to disadvantage people who have reached women’s pension age or whose partner has done so.

6.3 In some situations people will lose their partner through death or relationship breakdown or form a new partnership and may move from being treated under the system of Universal Credit to pensioner benefits or vice versa. This is another reason why it needs to be easy to move from one system to the other.

7. Housing Costs for Older People

7.1 The paper suggests that support for rent could be integrated into the help available for other housing costs within Pension Credit. We would support this approach assuming the level of support with rent was not reduced. Claims for CTB could also be integrated if this is retained as a national entitlement. This would extend the current system which allows Pension Credit, HB and CTB to be claimed in one telephone call to the PDCS but directs claims for HB and/or CTB to the local authority if someone is not entitled to Pension Credit. Greater integration of benefits for older people could make the process of claiming simpler and improve take up. PDCS would need sufficient resources in order to be able to meet the additional demand.

7.2 Currently older people can face marginal withdrawal rates of over 90% due to the interaction between Pension Credit, HB, and CTB. In the interest of fairness and consistency we would expect that the maximum taper rates for older people to be reviewed. High marginal deduction rates mean that those with modest incomes in retirement can feel they are not rewarded for having worked and saved. Debates around pension saving have frequently focused on concerns about disincentives to save particularly for those likely to HB and CTB in retirement.

8. Earnings

8.1 Pensioners will no longer be able to access working tax credits. The paper says that Pension Credit is not designed to provide in-work support and the Government is considering “an option of allowing those pensioners who choose to extend their working lives to claim Universal Credit rather than Pension Credit”. We accept that Universal Credit may be more appropriate for those with earnings although if there is a choice it will need to be clear to individuals which system of support they apply for. In our view older people with earnings should not face higher marginal deduction rates than younger people so if older people in employment remain under the Pension Credit system the treatment of earnings should be looked at. The current system penalises older people who wish to remain active and undertake a few hours work as just £5 a week (for a single person) is disregarded. An increase has been recommended in previous Work and Pensions Committee reports.

9. Children

9.1 The White Paper proposes an income-related element for pensioners with dependent children within Pension Credit. We agree that this is likely to be the best approach although it will involve increasing the complexity of income-related support for older people. Older people with care of children should be no worse off than under the current system and should get same amount of help for children as younger people receive within Universal Credit.

10. Carers

10.1 We welcome the section on caring in the White Paper which recognises the invaluable service that carers provide and sets out concerns with the current system.

We are pleased that the paper states that there will be no conditionality for carers and that it is not suggested that Carer’s Allowance is subsumed into the means-tested Universal Credit. However the current inadequate benefit system for carers remains and the paper simply says the Government is carefully considering any changes to Carer’s Allowance. Reforms to meet the needs of younger and older carers are long overdue and the system needs to ensure that all who provide substantial care receive financial recognition and adequate support.

11. Contributory Benefits

11.1 Restricting the contributory element of Employment and Support Allowance to one year for those in the work related activity group is likely to affect many claimants aged 50 and over. A fair system should provide support to those in financial need but also ensure that people feel adequately rewarded for contributions made. People in their 50s and 60s with disabilities or health problems who have worked and paid national insurance for maybe 40 years or more are likely to feel let down if benefit stops after a year because they have modest savings or a partner in work and have not been able to return work. The Government should reconsider this proposal.

12. Delivering the Universal Credit

12.1 The White Paper describes the process of introducing Universal Credit and moving existing recipients to the new system as “a significant project”. The magnitude of the task must not be underestimated. Government
departments will have to design and deliver the new system, while maintaining the current complicated systems and introducing other major changes to benefits at a time when resources and staff numbers are being cut.

12.2 We support the aim of taking earnings from employment into account automatically but are not in a position to judge whether the proposed HMRC real-time information system can achieve this aim in the timescale set out. We note that in the past there have been major problems with introducing new Government programmes such as tax credits and Child Support. All administrative systems and procedures should be tested and developed with input from front line staff, outside organisations and individuals. The Government needs to be prepared to delay introduction if necessary.

12.3 On line claims and accounts will suit those who use technology on a regular basis and are happy to make claims on line. It will not be suitable for all. Twenty-two per cent of people aged 55–64 and 31% of people with income of less than £10,400 have never used the internet and those who do use the internet may still not want to provide personal information on line. While the proportions able to use on line facilities is likely to increase over time there will always be a need for telephone and face to face service where the use of the internet is not suitable and for all claimants in situations where they need more individual support for example to discuss a complicated situation or to get a more detailed personalised explanation.

13. SOCIAL FUND

13.1 The paper proposes that local authorities become responsible for the administration of crisis loans and community care grants. Age UK believes the Government should be cautious about localising financial benefits and take forward reforms only when there is clear evidence that a local system would provide better support. Although the current payments are discretionary they are awarded on the basis of national guidance and subject to an independent review procedure. It is essential that under any reformed system crisis payments are available quickly for people with emergency needs, the availability and procedures for applying for help are clear and well publicised, and any money transferred to local authorities for cash payments is not subsumed into other local budgets.

14. PENSIONS SAVINGS

14.1 We support the proposal to disregard 50% of any contributions to a private pension as under the current Income Support system. The paper states this will result in take home pay being reduced by just 34 pence for every £1 saved in a pension by an employee receiving Universal Credit and paying tax at the basic rate. With automatic enrolment and the National Employment Savings Trust starting to be rolled out in 2012 it is important that a clear message is given about the pension reforms and the value of tax relief in order to encourage people to remain opted in to workplace pensions and to increase pension saving.

15. ROLE OF THE VOLUNTARY SECTOR

15.1 The paper notes that many people look to the voluntary sector for advice and support and for chasing up claims or helping when errors have been made. The Government envisages that there will be improved service delivery under Universal Credit so this role will be made easier. We very much hope this will be the case but at least in the short term the demand on advice agencies is likely to be greater as people want information about the new system and help to deal with any teething troubles. There may also be a greater demand for help from those who do not have internet access if there is pressure to use this as the main form of contact. In developing the Universal Credit the Government should recognise the pressure that new systems put on advice agencies and ensure that they have adequate resources to support clients and ensure the smooth introduction of Universal Credit.

December 2010

Written evidence submitted by Places for People

1.0 INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Places for People is one of the largest property management, development and regeneration companies in the UK. We own and manage more than 62,000 homes and have assets of £3.1 billion.

1.2 Our vision is to create and manage places where people want to live and our approach looks at all aspects of communities rather than focusing solely on the bricks and mortar provision of homes. Places for People’s innovative approach to place management and placemaking allows us to regenerate existing places, create new ones and focus on long-term management.

1.3 Places for People believes strongly that economic prosperity is the way out of poverty and welfare dependency. Our long track record in tackling worklessness and promoting enterprise was recognised in 2008 when we won the then Housing Corporation’s Gold Award for tackling worklessness. In 2010–11 alone, we will support over 500 people to enter employment, over 800 people into learning and help to establish up to 100 new businesses.

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1.4 We understand that this is a short inquiry which focuses in particular on those elements in the Government’s proposals which require further development. We therefore limited our response to a few key issues which we feel require further consideration before being passed into legislation.

1.5 The proposals will affect Places for People both as a market rent landlord and, more significantly, as a Registered Provider of affordable housing. In this response, we discuss our views on the Government’s proposals in both these capacities.

1.6 In this response, we express the following views:

— We agree with the principles underlying the White Paper proposals and welcome many of the changes.
— We suggest the Government make provisions for market rent tenants whose circumstances change and who cannot meet their rent payments or secure alternative accommodation.
— We feel that for those tenants who under-occupy but who are unable to find a smaller property due to high housing demand, full housing costs need to continue to be met.
— We also feel the new rules on under-occupancy need to be flexible enough to prevent larger communities from becoming too homogeneous.
— We are concerned that the Government’s drive for social tenants to move into smaller homes may hinder some people in setting up businesses and working from home, which would be in conflict with the Government’s drive to support and encourage enterprise.
— We are strongly in favour of direct payments to landlords of the housing proportion of the new Universal Credit payments. In our view, direct payment should resume after four weeks if a tenant is falling into arrears.
— We would welcome the opportunity to further develop the direct payment mechanisms with the Government and pilot any proposed schemes.

2.0 Market Rent

2.1 As previously stated in our response to the “21st-century Welfare” consultation, Places for People welcomes the simplification of the current benefits process outlined in the Government’s White Paper. We also support the Government’s aim to prevent homelessness and protect vulnerable people from getting into rental arrears, as well as its undertaking to ensure that no one will be worse off as a direct result of the reforms.

2.2 As a market rent landlord, the White Paper proposals have a limited yet significant impact on Places for People. Whilst a relatively low proportion (below the national average of 20%) of our market rent tenants are in full or partial receipt of housing benefit, we may experience an increase in rental arrears when a tenant’s circumstances change, for instance through loss of employment. The majority of our rents will be above the level covered by the new Local Housing Allowance at the 30th percentile of local market rents, which means that tenants would have to make up the difference from an alternative source such as Job Seekers’ Allowance (JSA). It is likely that tenants may struggle to find an alternative property whose rent is covered by housing benefit.

2.3 We are keen to see further details on the proposed calculation of local market rents so we can better understand the potential impact on our market rent tenants. We also believe that the Government needs to make available further financial support for those tenants in the market rented sector who due to loss of employment are no longer able to pay their rent, for instance until they have been able to regain employment or secure an alternative home.

3.0 Proposed Housing Benefit Caps

3.1 The Government’s proposals include changes to limit housing benefit payments to those tenants who under-occupy their properties, as well as the intention to extend the single room rate age criterion from 25 to 35.

3.2 Whilst we understand and support the Government’s aim to reduce under-occupancy and encourage people to make more affordable housing choices which would free up larger family accommodation, we fear that this may have an adverse impact on those tenants who are unable to find a smaller property which suits their needs. The shortfall in payments to this group could result in rental arrears for social landlords.

3.3 We propose that the Government build in safeguards to protect those people who may currently under-occupy their home but who are unable to move to a smaller property because they live in an area of high housing demand. We suggest that in those circumstances, full housing costs need to be met until the tenant has been able to secure a smaller property.

3.4 We also feel that forcing people to move to smaller properties and ensuring every bedroom is filled could lead to unintended consequences. Many large traditional housing estates have a mix of two- to four-bedroom properties, and under the new rules this would mean that no couples or single people would be able to occupy these homes. We feel that this could lead to communities becoming too homogeneous and unsustainable in the long term. It is our view that some flexibility needs to be built in to prevent this.
3.5 In our view, there is a danger that the Government’s proposals to tackle overcrowding could be in conflict with its aim to promote enterprise among social housing tenants. We welcomed the Government’s focus on enterprise, which fits well with our worklessness agenda as outlined in the introduction above. Our tenancy agreements are in line with the Chartered Institute of Housing guidance in respect of working from home and we can cite many examples of customers who are making a real success of their business. These range from a customer who makes jewellery to a self-employed singing teacher.

3.6 As illustrated by the success stories of our own customers, some social tenants will require an extra room in order to set up a business or work from home. If people are forced to move to smaller homes, their ambition to do this may be seriously hindered. Again, we feel that a degree of flexibility is required, for instance if a tenant can demonstrate that they require an extra room for work purposes.

4.0 Direct Payments

4.1 Approximately 70% of Places for People’s affordable rent tenants are in receipt of full or partial housing benefit. As a result, housing benefit payments represent a significant income stream for us, similar to many other Registered Providers.

4.2 It is vital for our ability to create and manage sustainable communities that this income stream remains protected. The Government can play an important role in this by safeguarding direct payments of housing benefit to landlords. For us and many of our peers, this is the single most important issue in the Government’s welfare reform proposals and a crucial way in which we can mitigate against some of the potentially negative effects of the changes (eg increases in rental arrears).

4.3 Preventing rental arrears from accruing helps to avoid significant financial and social costs such as high turnover of tenancies, debt recovery, eviction, and in the worst cases homelessness.

4.4 Whilst we understand and support the Government’s aim to encourage people to manage their household budget, we feel that a mechanism should be built into the system which sees housing costs paid direct to the landlord if a tenant proves unable to manage their budget efficiently and falls into rental arrears. In order to prevent a build-up of arrears, we suggest that direct payment is resumed after a period of four weeks.

4.5 This mechanism would also protect vulnerable people from falling into arrears and prevent people from losing their homes if they cannot manage their payments. Places for People has a strong track record of promoting financial inclusion and helping people to manage their finances better, and our experience in this area makes a convincing case for ensuring that the proportion of the new Universal Credit which covers housing cost is paid direct to the landlord.

4.6 In addition to the direct payment mechanism mentioned above, we feel it is crucial that benefit accounts, which the Universal Credit will be paid into, have a Direct Debit facility. Benefit accounts currently do not have this facility. In our view, a Direct Debit facility would be a simple way to help tenants and landlords avoid arrears by ensuring their rent is paid automatically.

4.7 We would welcome the opportunity of working with the Government to further develop the direct payment mechanisms, as well as piloting any proposed schemes, in response to the options outlined in paragraph 31, chapter two of the White Paper.

5.0 Conclusion

5.1 Places for People agrees with the principles which underlie the benefit reforms outlined in the Universal Credit White Paper and welcomes many of the changes announced.

5.2 We are concerned that the proposed changes to the way Local Housing Allowance is calculated could have a negative effect on market rent tenants whose circumstances change, for instance due to loss of employment. We are keen to see further details on how the local market rent will be calculated and urge the Government to ensure that support mechanisms are in place for tenants who find themselves unable to meet their rent payments or find a suitable alternative property.

5.3 We understand and share the Government’s view that under-occupancy should be tackled. However, we feel that full housing costs need to be met for those tenants in high-demand areas who under-occupy but are unable to find a smaller property. We also feel that the system should be flexible enough to prevent communities from becoming too homogeneous due to the new under-occupancy rules. We also feel there is a danger that people’s ambitions to set up a business may be hampered if they are forced to move to a smaller property.

5.4 We are very strongly in favour of the direct payment to landlords of the housing proportion of the new Universal Credit. In our view, direct payments should resume if a tenant is unable to pay their rent for a period of four weeks. We also feel that Direct Debit should be enabled on benefit accounts to help tenants manage their finances more effectively. This would help to prevent rental arrears building up, with the associated financial and social costs.
APPENDIX 1

ABOUT PLACES FOR PEOPLE

Places for People is one of the largest property development and management companies in the UK, with more than 62,000 homes either owned or managed in a mixture of different tenures. With over 2,000 employees, it is a unique organisation that provides a diverse range of products and services to build quality, safe and sustainable communities. Places for People is active in 230 local authorities.

Places for People regards itself as a housing and regeneration organisation that puts people first. We provide solutions that not only cover a range of different housing tenures but also offer a range of support services including affordable childcare, elderly care and financial services—all the things that contribute to making neighbourhoods of choice; prosperous, popular and truly sustainable.

Places for People currently has around 40,000 affordable rented properties, over 6,000 properties available for market rent and just under 10,000 properties where we retain a freehold stake as part of either shared ownership or “right to buy” arrangements in a number of developments throughout the UK. We also own and manage around 6,000 homes for older and vulnerable people. Our portfolio is designed to “Create neighbourhoods of choice for all” and covers the following broad mix of products:

- Places for People Neighbourhoods—investment, regeneration and placemaking.
- Places for People Homes—neighbourhood and property management.
- Places for People Individual Support—support for independent living.
- Places for People Property Services—in-house maintenance services.
- Places for People Development—master planning and building new developments.
- Places for People Financial Services—financial products for customers.
- Places for Children—early years childcare.
- Emblem Homes and Blueroom Properties—homes for sale and rent.

We want all our neighbourhoods to be places where people are proud to live. To do this, our developments need a mix of homes, easy access to shops, schools, healthcare and leisure activities, safe public spaces, good transport links and job opportunities.

When we create new places for people to live we plan a mix of tenures and house types designed for communities that have people from different social backgrounds. All of our homes whether for sale or for rent are designed and built to the same high standards with the same specification, making different tenures indistinguishable.

December 2010

Written evidence submitted by Save the Children UK

SUMMARY OF OUR RESPONSE

- We welcome the principles of simplifying the benefits system and ensuring people are better off in work.
- We also welcome the intention to implement earnings disregards under the universal credit system for certain groups of people (including lone parents and couple parents) that are more generous than earnings disregards under the current system. However we are concerned that earnings disregards for parents would be as low as £20 for some couple parents and £40 for some lone parents.
- The proposed 65% taper may not be generous enough to ensure work pays for parents, especially when travel and childcare costs are taken into account. We would welcome a more generous taper (including an indication that a more generous taper is a longer term aim of the government) which maximises positive outcomes for parents and children and not solely based on affordability.
- Serious consideration needs to be given to how the universal credit works in respect of the following:
  - Recipient of payments in couple families. There is a strong case that payments should be made to the lower earning/main carer within the household.
  - The timing of payments. Evidence suggests that low income households budget on a weekly or fortnightly basis and that they would benefit from universal credit payments being made on a more regular basis than each month.
  - Delays or problems with payments. The introduction of safeguards to ensure that households do not lose payments in their entirety when there is an error or dispute.
  - Council tax benefit. The devolving of council tax benefit to the local level (alongside the localising of other provision) will increase complexity for claimants and runs counter to the overarching aim of the White Paper of a simplified and less complex system.
— Whilst the White Paper argues that universal credit will make a considerable number of people better off the government must set out how it intends to compensate families for the losses they will experience as a result of welfare cuts and must ensure that child poverty does not increase before or after 2012 as a result of welfare cuts.79

— We believe that government policies to-date contradict aims to increase incentives to work. The government must set out a clear strategy to increase work incentives ahead of the implementation of universal credit.

— To address both the impact on incomes and on work incentives ahead of the implementation of universal credit we are calling for:
  — Increasing the earnings disregard for lone parents to £50.
  — A commitment to increases in the minimum wage and adoption of the living wage by as many employers as possible.
  — Increases in child tax credit payments
  — A strategy for ensuring maximum take up of benefits and tax credits amongst low income families.
  — Reversing the decision to increase the working tax credit hours rule for couples to 24 and decision to cut the amount of support available through the childcare element of Working Tax Credit.

BACKGROUND TO UNIVERSAL CREDIT

1.1 The Universal Credit (UC) will be phased in over a number of years. It will replace Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, JobSeekers Allowance (income related) and Employment and Support Allowance (income related).

1.2 Under the proposals in the White Paper, Child benefit and Council Tax Benefit will lie outside UC as will contribution based JobSeekers Allowance and Employment and Support Allowance. However, we believe there is a strong argument for including Council Tax Benefit within the Universal Credit system.

1.3 An earnings disregard will be put in place for certain groups of people. This will make it easier for them to move into short hours jobs.

1.4 UC will include additional payments for disability, children, housing and caring responsibilities.

1.5 The first people to receive UC will do so in 2013. This is likely to be limited to certain groups of people and new claimants rather than existing tax credit or benefit claimants. People will be moved onto UC over a number of years.

1.6 The White Paper also includes measures which increase the amount of conditionality placed on jobseekers. These include jobseekers taking up four weeks of full-time unpaid work. Those who do not comply will risk losing JSA for three months, six months for a second offence and up to three years for a third offence.

1.7 The current benefit dependent thresholds for access to a range of passported benefits (for example, free school meals and health benefits) will no longer exist. These will be replaced with an income or earnings-related system that gradually withdraws entitlements to prevent all passported benefits being withdrawn at the same time.

TAPER RATES

2.1 One of the cornerstones of the proposed Universal Credit is that it tackles the extremely high Marginal Deduction Rates (MDRs)76 faced by some low income households (these can be as high as 95%) through the introduction of a more generous taper.

2.2 For those currently receiving working tax credit (but not in receipt of council tax benefit or housing benefit) they are likely to face a higher MDR under Universal Credit (76% rather than 70%). This will reduce rather than increase work progression incentives making it harder for low income families to break free from poverty. Family Action estimate that around 1.35 million households will be faced with a higher MDR under Universal Credit.77

2.3 The proposed 65% taper rate may not be enough to ensure parents are better off in work, especially when travel and childcare costs are taken into account. The Centre for Social Justice Dynamic Benefits report proposed a 55% taper. The report concluded that: “This rate [55%] represents the best compromise between improving incentives and containing costs”.

2.4 Under the Dynamic Benefits proposals an estimated 600,000 workless households would move into employment and GDP would increase by £4.7 billion. Clearly a 55% taper would yield greater benefits for...
claimants and ensure a more even balance between improving the finances of low income households and maintaining affordability. Despite the current fiscal situation we do not believe it is unrealistic for the government to meet the full additional cost to the welfare bill of a 55% taper.78

2.5 The government must reconsider the taper rate proposed in the White Paper and find the necessary funding needed to introduce a 55% Universal Credit taper rate.

**Earnings Disregards**

3.1 Save the Children has long advocated higher earnings disregards within the benefits system as a means of supporting parents into work and ensuring they have more money in their pockets. We welcome the more generous earnings disregards for parents proposed in the White Paper.

3.2 Whilst there is acceptance of the need for a more generous earnings disregard it would appear that based on the detail provided in appendix three of the White Paper, some parents would still experience disregards of less than £50. Based on the “disregard floor” this could be £40 for a lone parent with one child and £20 for couple parents with of one child.79

3.3 This appears to be a complex means of determining the level of earnings disregard someone is entitled to. It may not be clear to those people who receive help with housing costs what level of earnings disregard applies to them. An alternative approach would be reduce complexity by implementing a generous flat earnings disregard for those groups which would benefit the most as set out by the White Paper. This would make it easier for claimants who are moving into work to understand how much of their earnings they will keep before they lose any of their universal credit payment.

3.4 In the meantime, having accepted the argument for more generous earnings disregard in the future, the government must increase incentives to work now so that out-of-work parents are better supported to take up jobs. As a first step the government should increase the earnings disregard for lone parents to £50.80

**Practicalities**

4.1 Budgeting is an important coping strategy for people living in poverty. For those on low incomes budgeting can be difficult. The importance of ensuring the practicalities of universal credit meets the budgeting needs of low income households should not be underestimated.

4.2 Regularity of payments

The proposal for one single monthly payment may not meet the needs or fit with the current budgeting habits of low income families. At present, benefit and tax credit payments are made at different intervals. With some choice afforded to claimants of some entitlements (for example tax credit payments are currently made on a weekly or four weekly basis depending on the preferred option of the claimant). There is some evidence to suggest that receiving income on a weekly basis is the preferred option of low income families and helps with budgeting.

Considerable work needs to be done to ensure universal credit meets the needs of low income families. This should be done through the direct involvement of low income parents and through piloting specific aspects of the system.

Payments which are made more regularly than every four weeks may also help reduce the impact of families should there be a payment error or dispute.

Similarly people are used to managing their budget based on receiving entitlements to meet specific costs and may find it more difficult to manage their universal credit payment if there isn’t a clear breakdown.

4.3 Recipient of payments

The White Paper does not seem to consider the impact of who receives the payment within the household. We know that parents living on a low income prioritize their children’s needs above their own and that mothers tend to manage the household budget and put their family’s needs above their own.81 Therefore we would urge government to consider making payments (or at least the children childcare? element) to the second/lower earner in couple households or to the main carer. If universal credit payments are made to the main earner, the second/non earner would be left with no spending power.

78 Under Dynamic Benefits reforms the cost of the welfare bill would increase by £3.6 billion whilst yielding significant social, economic and financial benefits.

79 The amount to be disregarded will be reduced to reflect support people receive for rent or mortgage interest support.

80 Increasing the earnings disregard for lone parents to £50 would cost £350. (For further information please see Benefiting from work—Addressing efforts to reform and improve the benefits system, Save the Children, 2010)

4.4 Access to information and advice

Under universal credit “recipients will have an online account through which they will be able to access information about their claim and Universal Credit payments, much like the options that online banking services currently offer. The financial rewards from work will also be made clearer, with recipients able to view online the positive effect of increased earnings on their household income.”82 Whilst this may be a welcome addition to the welfare support provided to claimants, it must not be in place of existing face to face support and advice provided by JobCentre Plus and non-statutory services. It must not be forgotten that whilst in the highest income decile 98% of own a home computer and 97% had an internet connection, only 38% of households own a home computer and 30% who had an internet connection in the lowest income decile group.83

4.5 Protecting families from error and dispute

The use of “real time” information as part of the universal credit system is designed to result in a faster increase of reduction of universal credit than currently happens under the benefits and tax credit systems. There may be instances where the claimant or department dispute the amount of universal credit being paid or where IT or administrative error result in delays in payments being made. At present different entitlements are paid in separate installments to claimants going someway to protecting people from the loss of one payment or another. Safeguards need to be put in place to ensure that families don’t lose payments in their entirety.

4.6 Piloting and testing universal credit

Given the practical considerations (and the lack of evidence/detail in the White Paper in addressing these issues) there is a strong argument for undertaking work which directly captures the views and experiences of low income families, including piloting aspects of the new system with specific household types.

Childcare Under Universal Credit

5.1 There is a lack of information on how support with childcare costs will work under universal credit. Therefore it is difficult to move beyond positions of principle at this time.

5.2 According to the White Paper help with childcare through universal credit will be provided to those in work. The white paper suggests taking some of the support currently provided to those on Working Tax Credit (the childcare element)84 and applying it to those working below 16 hours. This will inevitably mean even less support for childcare costs for those working longer hours.85

5.3 This is itself is a major concern. It could mean the benefits of moving into a job (of 16 hours or more) or increasing the number of hours worked is less clear than under the current system.

5.4 Notwithstanding the fact that the government should base the amount of support it provides to meet childcare costs on need rather than a set amount of money we recognise there are a number of different ways support with childcare support could be integrated into universal credit. In addition it is important that government considers the impact of childcare costs on the MDR faced by parents.

5.5 Ideally government would reduce the universal credit taper rate to 55% and provide support with childcare costs at least similar to those currently provided through Working Tax Credit (i.e. 80%). To ensure that the support provided reflects the level of need families could be assessed on a regular basis (i.e. more regularly than every 12 months). This would ensure that some of the problems with the current proposed 65% taper outlined above would be addressed whilst also limiting the negative impact of childcare costs on MDRs.

5.6 Alternatively it may also be possible to introduce a separate but simple system whereby families are provided with a set amount (based on regional childcare costs and level of need). Under this system we could expect to see money effectively targeted at those with the greatest need such as lone parents and also upfront so that parents are able to make an informed choice based on affordability and quality when looking for childcare.

Increasing Incentives to Work

6.1 The government has taken a number of measures which increase disincentives to work ahead of universal credit implementation. These include: reducing the amount of childcare support available through Working Tax Credit (reducing the childcare element of Working Tax Credit from 80% to 70%); increasing the Working Tax Credit hours rule from 16 hours to 24 hours; scrapping the planned extension of free school meals for low income working families; increasing the Working Tax Credit taper from 39% to 41%.

6.2 These policies are at odds with the principles or universal credit. We are extremely concerned that it will be harder for parents to move into or progress in work in the coming years. This is at the same time as which cuts and tax rises will hit the finances of low income families.

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82 Department for Work and Pension, 2010, Universal Credit: welfare that works page 34
84 488,000 families receive WTC support for childcare costs, with 64% of these being lone parents.
85 Parents in receipt of Working Tax Credit can currently receive support of up to 80% to help meet childcare costs. This is dropping to 70% in 2011.
6.3 Similarly we have not heard enough from the government about tackling low pay. The prevalence of low paid jobs acts as a disincentive to work and reduces the impact that employment can have on poverty reduction. In the debate about increasing incentives to work the government appears to be ignoring the impact that increased wages can have on a) boosting household incomes and b) providing savings the Treasury. Increasing the minimum wage can help lift families out of poverty and save the government money. In it’s 2010 report the Low Pay Commission estimated that the impact of a 13 pence increase in the adult minimum wage (moving from £5.80 to £5.93) would gain the government around £238 million through additional income tax and NIC revenue and through reductions in working tax credits and benefits bills.\(^\text{86}\)

6.4 In addition we believe that it is wrong for government to increase conditionality and sanctions on those not moving into work at a time when they are making it harder for people to take up work and unemployment is rising. The White Paper describes a new contract between the state and claimant set in the context of a critique of the current system. This contract gives greater certainty and better incentives whilst expecting more (increased conditionality). Given the critique of the current system set out in the White Paper and 21st Century Welfare it seems wrong that greater conditionality is being brought in ahead of the greater certainty and better incentives that the universal credit is designed to deliver.

6.5 Government must set out it’s strategy for increasing work incentives and tackling child poverty as soon as possible. This should include the following measures:

- Increasing the earnings disregard for lone parents to £50.
- A commitment to increases in the minimum wage and adoption of the living wage by as many employers as possible.
- Increases in child tax credit payments.
- A strategy for ensuring maximum take up of benefits and tax credits amongst low income families.
- Reversing the decision to increase the working tax credit hours rule for couples to 24.

COUNCIL TAX BENEFIT AND THE SOCIAL FUND

7.1 Council Tax Benefit withdrawal (on top of the universal credit taper) will increase the MDR faced by low income families. Not enough is known about a) the impact of the devolving of Council Tax Benefit to local authorities and b) the impact of the 10% cut to the Council Tax Benefit budget announced in the CSR.

7.2 Devolving Council Tax Benefit to local authorities is at odds with the policy of simplifying the benefits system through universal credit. The potential is for Council Tax Benefit to be administered differently between local authorities meaning the true MDR faced by low income working people could differ from area to area. The cut in Council Tax Benefit means it is more likely that people in low paid jobs will face a steep and/or sudden withdrawal of Council Tax Benefit than is currently the case.

7.3 Government should reconsider the decision to devolve Council Tax Benefit to local authorities and instead should subsume it with the universal credit.

7.4 There may be some advantages in devolving parts of the social fund to local authorities if this means that support can be more responsive to individual needs. The Social Fund differs from Council Tax Benefit in that it is one off support provided on a case by case basis. However, it should be noted that this move and the decision to scrap Educational Maintenance Allowance and replace it with locally administered support will add complexity to the benefits and entitlements system.

LINKING WELFARE REFORM TO OTHER BARRIERS TO EMPLOYMENT

8.1 Universal credit reforms need to be much more closely linked to the wider context of overcoming the barriers to employment faced by low income parents. Welfare reforms such as those addressed in the White Paper must be linked to other considerations around service user experience, barriers to employment and skills development. It is clear that reform of the benefits and tax credit systems cannot be done in isolation.

8.2 Efforts to support parents into work and to “make work pay” through a reformed benefits system must consider ways of achieving the following:

- Supporting parents to meet the costs associated with going to work, including travel costs
- Tailoring employment support so that it encourages sustainability of work and career progression
- Supporting parents who are considering skills development, particularly in ways that encourage a long-term approach to career development
- Ensuring greater availability of jobs which offer:
  - Decent pay.
  - Flexible and family-friendly working practices.

Written evidence submitted by Family Action

1. ABOUT FAMILY ACTION

1.1 Family Action has been a leading provider of services to disadvantaged and socially isolated families since 1869. We work with over 45,000 vulnerable families and children a year by providing practical, emotional and financial support through over 100 community-based services across England. Additionally in 2009–10 we distributed 4,218 grants totalling over £1,104,883 to families and individuals in financial hardship throughout the UK. Family Action won the 2009 Charity Awards Foundation award for effectiveness and jointly with CAB, Gingerbread and our sponsors Barclaycard the 2010 Third Sector Award for best corporate partnership for Horizons, an integrated welfare advice, training and educational grants package for lone parents. Find Family Action on the Web at www.family-action.org.uk.

1.2 Family Action works with vulnerable families in the home, providing early intervention services that strengthen families, assisting them to take more responsibility for their lives, parent their children, and where appropriate, helping them to move towards employment.

1.3 We believe the best way to reduce the cost of the welfare system, and to reduce welfare dependency and poverty is to ensure that work makes more financial sense for those low income families who are able to work. As such we are very supportive of the Government’s efforts to introduce a system which will improve the financial incentives to move into and progress in, employment.

One Family Action client works 16 hours per week because she is a woman who wants to work and knows it is good for her kids to see her work. However, she knows that because of deductions from her Housing Benefit, and because she has to pay £26 per week in travel costs, work does not really pay. For clients like her, it is vital to increase work incentives, so that they can really see the financial benefits of working, and of progressing in work. It is also important to simplify the system so that they can be clear exactly how much they benefit by entering work.

1.4 It is for this reason, and for service users like this one, that we think it particularly important for the Government to act now to address any issues with the Universal Credit, which may undermine its progressive intentions.

1.5 Family Action work closely with the campaign to End Child Poverty by 2020. Given problems of both out-of-work and in-work poverty in the UK, the introduction of the Universal Credit will play a key role in helping the Government to reach its target, and to keep to its duties under the Child Poverty Act.

2. SUMMARY OF KEY ISSUES ADDRESSED

2.1 This submission addresses a number of key areas regarding the Universal Credit, on which Family Action has particular expertise. These include:

1. The impact of the Universal Credit on Marginal Deduction Rates, with particular emphasis on effective Marginal Deduction Rates taking into account childcare costs, for households who need financial support through the Universal Credit in order to pay for childcare.

2. Potential problems with the Universal Credit and savings incentives.

3. Issues with the delivery of the Universal Credit, including the need to “firewall” different components of the Credit in order to protect claimants from the risk of loss of multiple benefits where problems occur with their Universal Credit claim.

4. Finally the submission makes reference to more immediate problems of changes to the welfare system announced in the Budget and the Comprehensive Spending Review which may undermine work incentives in the shorter term, prior to the completion of the transition to the Universal Credit system.

3. SUMMARY OF RECOMMENDATIONS

3.1 The withdrawal rate for the Universal Credit should be reduced to 55% in line with the proposals from the Centre for Social Justice.87 This would ensure that households in receipt of tax credits, and paying Income Tax and National Insurance, and no other means tested benefits would not face a higher withdrawal rate under the Universal Credit. It would also help other working families in receipt of Universal Credit.

3.2 As well as reducing the withdrawal rate to 55%, introduce a childcare element equivalent to at least 70% of childcare costs. If there is no reduction in the overall withdrawal rate, the Government should introduce a childcare element covering at least 80% of childcare costs. We are very concerned that current plans for help with childcare costs could be considerably less generous than this, undermining work incentives for families in need to financial support with childcare.

3.3 Introduce capital rules for the Universal Credit in line with the capital rules for Tax Credits, not those for Income Support. Without this change, substantial savings disincentives will exist within the system for many households.

3.4 Give claimants the option of having all benefit payment dates linked, (including benefits outside of the Universal Credit). This would enable claimants to have all of their benefits paid on the same day, better enabling them to control their finances.

3.5 “Firewall” the different elements of the Universal Credit, so that, in the event of payment problems, even if one part of the benefit stops, not all benefit payments stop.

3.6 Improve work incentives in the short term. A number of the changes in the budget and the Comprehensive Spending Review work against the underlying principles of the Universal Credit. Some of these changes should be rolled back to ensure that moving into work pays for families in the period before the transition to the Universal Credit.

4. **Universal Credit and Marginal Deduction Rates**

4.1 The rate of deductions (through increased Income Tax and National Insurance, and reduced means tested benefit payments) incurred on earning an additional £1 is known as a person’s Marginal Deduction Rate (MDR). For some low-income working households, MDRs can be extremely high, currently reaching as much as 95.5%—meaning that families receive very little benefit from taking on additional work.

4.2 Family Action agree with the Government that action needs to be taken to increase financial incentives for people in low income working families to progress in work by increasing their working hours or to work for a promotion. We are therefore pleased that for some in-work, benefit claimants, the Universal Credit could substantially reduce Marginal Deduction Rates.

4.3 In particular, the Universal Credit addresses the extremely high rates of withdrawal faced by households in receipt of Housing Benefit and Council Tax Benefit, and by families working less than 16 hours per week. We welcome a lower withdrawal rate for these groups, which is also more consistent in the withdrawal of benefits as hours and/or earnings increase.

4.4 However, we are concerned that for many people the Universal Credit could reduce work progression incentives. As we note in our attached policy briefing “Marginal Returns?”, for a worker currently paying Income Tax and National Insurance, in a family receiving tax credits at more than the family element, but not receiving housing benefit or council tax benefit, marginal deduction rates are currently 70%. The same household in receipt of Universal Credit instead of Tax Credits, the equivalent MDR would be 76%.

4.5 Our estimate suggests that as many as 1.35 million households are in this position. It is also estimated that as a result, under the Universal Credit, more tax-paying, working households in receipt of means-tested benefits would face increased, rather than reduced, MDRs.

4.6 The "Marginal Returns" policy briefing paper proposes that the taper rate for the Universal Credit is reduced to the 55% originally proposed by the Centre for Social Justice in the paper dynamic benefits, this would mean that the households mentioned above would face similar Marginal Deduction Rates under the Universal Credit as they do at present.

4.7 In addition to problems with the main taper mentioned above, we are concerned that insufficient emphasis has been placed on the place of help with childcare costs and of Council Tax Benefit within the new system. Under some of the Government’s proposals for dealing with childcare costs, some households could effectively face Marginal Deduction Rates (including childcare costs) of more than 90%, or even 100%—the latter meaning that they have to pay to work additional hours.

4.8 The Marginal Returns paper recommends that Council Tax Benefit is included within the Universal Credit in order to avoid the introduction of an additional benefit taper. We have been reassured in discussions with the Department for Work and Pensions, that the Government intends to avoid a second taper on Council Tax Benefit, and we very much look forward to hearing their plans for dealing with Council Tax Benefit in a way which does not reduce work incentives.

4.9 Proposals for dealing with childcare costs are outlined in the following section.

5. **The Universal Credit, Marginal Deduction Rates and Childcare Costs**

5.1 In a separate policy briefing entitled “Marginal Returns? (part two): dealing with childcare costs” Family Action outlined three potential policy proposals for dealing with the problems with childcare costs resulting from the Government’s proposals outlined in the White Paper, which were addressed in the first policy brief.

--- Disregarding childcare costs for both the Universal Credit, but also for the purposes of income tax and national insurance—effectively a “double disregard”.

— Introducing a childcare element of Universal Credit equivalent to at least the current element in the Working Tax Credit (80%), rather than at the 70% rate which the childcare element of Working Tax Credit will be at following the reductions in help with childcare costs announced in the budget.

— Reducing the overall withdrawal rate for the Universal Credit to 55%, plus a childcare element covering at least 70% of childcare costs.

5.2 It is concluded that of the models proposed, the preferred solution is a reduction in the overall withdrawal rate of Universal Credit, combined with a substantial childcare element within the credit. This is because this option addresses other problems with Marginal Deduction Rates under the Universal Credit highlighted in our previous paper, as well as providing further assistance to families with childcare costs.

5.3 Aside from this, it is suggested that an increased childcare element within the Universal Credit would be preferred to the “double disregard” approach, since the disregard is neither very generous, nor does it give the flexibility to easily improve entitlements to help with childcare costs, which is offered by a childcare element. The childcare element should cover at least 80% of childcare costs—though higher rates would improve this and ensure that work paid more than under the current system for more families.

5.4 Family Action is very concerned that proposals we have seen for dealing with childcare costs, since the publication of the White Paper, have been decidedly less generous than those outlined above. Were these options implemented some working parents could face considerably reduced work progression incentives compared to their current position, and, as previously noted, some may have to pay to work additional hours.

5.5 In addition, it is important to remember that many households currently receive assistance with childcare costs through Housing Benefit and Council Tax Benefit in addition to the childcare element of Working Tax Credit. As a result, help with childcare costs under the Universal Credit needs to be substantially higher than that currently provided through Working Tax Credit, in order to provide equivalent outcomes for households with childcare costs in receipt of Housing Benefit and Council Tax Benefit.

6. THE UNIVERSAL CREDIT AND SAVINGS INCENTIVES

6.1 The Universal Credit White Paper proposes introducing similar capital limits as currently apply within Income Support.

“Universal Credit will have the same capital rules as currently apply to Income Support. There will be an upper capital limit above which there is no entitlement and a lower limit below which capital is fully disregarded. An income will be assumed for capital between the lower and upper limits.”

This would mean that savings are limited to £16000. Households with savings over this threshold would not be entitled to receive any Universal Credit.

6.2 We are concerned that this could undermine savings incentives, particularly for households currently in receipt of Tax Credits, but not other means tested benefits. The capital rules for Tax Credits are considerably more generous than for other means tested benefits, since there are no capital limits for Tax Credits, and instead, taxable income (above £300) from savings is taken into account.

6.3 Households which are currently entitled to Tax Credits could have no entitlement to Universal Credit under the proposals for dealing with capital. This will, in particular, make it very hard for families in this position to save enough money for a deposit to buy a house.

6.4 For this reason we recommend that the Government introduces the same capital rules as apply for Tax Credits, to the Universal Credit.

7. DELIVERY OF THE UNIVERSAL CREDIT

7.1 We welcome some of the proposals for delivery of the Universal Credit. In particular, we welcome the idea of a single entry point to a number of benefits within the welfare system. Multiple entry points to the benefits system cause complexity, and huge problems of passing information between different parts of the benefits system. For instance:

One service user, who is a lone parent coping with a child with a disability, noted that her Child Tax Credit stopped because she hadn’t realised she had to tell Tax Credits about taxable benefits she received. She had to call around a number of different departments to get them to tell her what she received in taxable benefits, so that she could pass this information on, and get her Tax Credits paid again.

7.2 We also welcome the potential this creates for a number of benefits to be paid at the same time in one sum.

One service user noted that she receives her Income Support fortnightly, her Tax Credits weekly, her DLA monthly, and her Child Benefit Monthly. She noted that it is complicated to know what you are getting when, and that this makes it difficult for her to plan in advance. She said it would be much better if everything was paid together, and that this would help her to stay out of debt.

90 DWP (2010) “Universal Credit: welfare that works”
7.3 Although we appreciate that Child Benefit and DLA will remain outside of the Universal Credit system, paying Income Support and Tax Credits together will help claimants like this to feel in control of their spending, and potentially help to avoid claimants getting in debt.

7.4 We hope that claimants could have the option of having their DLA and Child Benefit could be linked into the Universal Credit system (even if remaining separate) so that all benefits are paid at the same time.

7.5 Although welcoming the idea of a single benefit on the previous two counts. We are concerned that the current system protects claimants, so that even if one benefit is lost, others may continue in payment.

One service user noted that her Housing Benefit stopped for three months as a result of a fraudulent claim made in her name. Although this caused problems with her other benefits they continued in payment throughout this period. If all of her benefits had stopped this would have created awful problems.

7.6 We believe that the Universal Credit should be “firewalled” into different components so that even if one component stopped, payment would continue on the rest of the claimant’s benefits.

8. THE UNIVERSAL CREDIT, THE COMPREHENSIVE SPENDING REVIEW AND THE BUDGET

8.1 The key principle behind the introduction of the Universal Credit is to increase the financial incentives to move into and progress in work for low income working households.

8.2 For this reason we are very concerned that in the shorter term, many of the announcements in the CSR and the June Budget appear to do the reverse of this, reducing work incentives for many households.

8.3 Our analysis indicates that at least eight welfare cuts announced in the comprehensive spending review directly hurt low income working families. When combined with cuts announced in the budget, the analysis identifies at least 21 key welfare cuts will hurt the finances of low income working families.92

8.4 Changes to eligibility rules for working tax credits could lead to some couples with one person working 16 hours per week losing up to £3810 per year in Tax Credit entitlement. This is significantly more than the equivalent of the average household spend on grocery shopping.93 Indications suggest that the changes could leave them worse off in than out of work—and push these families into poverty.

One Family Action worker is a working mother with two children (aged seven and three and a half). She currently works 16 hours per week as an administrator. Her husband is currently doing training, and is looking for a job, but at the moment is finding it very hard to find anything in current conditions.

If the eligibility criteria for Working Tax Credit was changed so that couples with children had to work 24 hours to be entitled to WTC, then this family would lose their entitlement to WTC (which is currently about £237 every four weeks). As a result of this loss, their entitlement to Housing Benefit and Council Tax Benefit increases—however an approximate calculation indicates they would still be likely to lose more than £20 per week from this change. Some families could lose considerably more.

8.5 Changes to the eligibility rules for Working Tax Credit also penalise couples, and could discourage stable families.

8.6 Reductions in help with childcare costs through the childcare element of working tax credit could cost working families up to £30 per week—£1,560 per year.

8.7 Freezing entitlements to Working Tax Credits, could lose low income working households £153 from their Working Tax Credit entitlement next year relative to uprating WTC elements with RPI to September 2010. By 2013–14 this could increase to £483.

8.8 Making Education Maintenance Allowance and (potentially) Council Tax Benefit discretionary locally managed funds, could lead to low income working households losing eligibility to these important benefits.

8.9 Changes to the contributory Employment and Support Allowance could lead to income losses of up to £91.40 per week for couple households where one member is working, and where the other is too ill to work. The changes could lead to households such as this being pushed into poverty.

8.10 We believe that the Government could work towards fulfilling the objectives of the Universal Credit in the shorter term, by rolling back some of the welfare cuts that they have made which affect low income working households.

9. ATTACHED DOCUMENTS

Family Action has attached three documents referred to in this submission:


Most recently available figures indicate that average household spending on food and non-alcoholic drink is £50.70 http://www.statistics.gov.uk/downloads/theme_social/Family-Spending-2008/FamilySpending2009.pdf
(not currently available online—please email sam.royston@family-action.org.uk if you would like a copy.)

December 2010

Supplementary written evidence submitted by Family Action

ILLUSTRATION OF POSSIBLE IMPACT OF TREATMENT OF CHILDCARE UNDER UNIVERSAL CREDIT

Lone Parent, two children, £100 rent, £20 council tax. Earnings £15,000pa (working 30 hours per week), no childcare.

CURRENT SYSTEM
Tax Credits = £123.01
HB = £23.07
CB = £33.70
Net work = £235.44
Total = £415.22

UNIVERSAL CREDIT
Max UC = £284.29
Disregard (reaches floor) = £2340 (pa)
Net earnings = £235.44
excess income = 12,242.88—2,340 = £9,902
9,902*0.65 = £6,436.3 (£123.78 pw)
284.29—123.78 = £160.51
UC = £160.51
Earnings= £235.44
CB = £33.70
Total = £429.65

Lone Parent, two children, £100 rent, £20 council tax. Earnings £15,000pa, (working 30 hours per week) childcare £200pw.

CURRENT
Tax Credits = £282.57
Housing Ben = £49.36
CTB = £4.42
CB= £33.70
Net earnings = £235.44
Total = £605.49

UNIVERSAL CREDIT
(Assuming 70% childcare element integrated into UC)
Max UC = £284.29 + 140 (70% cccs) = £424.29
Disregard (reaches floor) = £2,340 (pa)
Net earnings = £235.44
excess income = 12,242.88—2340 = £9,902
9,902*0.65 = £6,436.3 (£123.78 pw)
424.29—123.78 = £300.51
Written evidence submitted by National Association of Welfare Rights Advisers

1. National Association of Welfare Rights Advisers

The National Association of Welfare Rights Advisers (NAWRA) was established in 1992 and represents advisers from local authorities, the voluntary sector, trade unions, solicitors and other organisations who provide legal advice on social security and tax credits.

We strive to challenge, influence and improve welfare rights policy and legislation, as well as identifying and sharing good practice amongst our members.

NAWRA holds a number of conferences throughout the year across the UK, attended by members from all sectors of the industry. An integral part of these events are workshops that help to develop and lead good practice.

Our members have much experience in providing both front line legal advice on benefits and in providing training and information as well as policy support and development. As such NAWRA is able to bring much knowledge and insight to this consultation exercise.

The response has been put together following discussions at our Manchester conference in December 2010.

2. Summary

NAWRA supports moves to simplify the benefit system. We are pleased to see the proposal to introduce a single taper, larger disregards in certain circumstances as well as incentives to move back to work gradually. The development of realtime information could be positive if it functions efficiently.

NAWRA is concerned about the reduction of earnings disregards in certain circumstances and how disregards for some disabled people seem to disappear. We think this will make it more difficult to get into work people rather make it easier. We are also concerned that an opportunity to support young people up to 25 years into work is missing.

NAWRA is concerned that the proposed caps on benefit income and reductions in local housing allowance will lessen any positive impacts of Universal Credit.

We feel that opportunities to improve provision for both carers and foster carers have been missed.

NAWRA does not support the use of sanctions particular those that are set for periods of time. These do not focus on getting back into work.

3. Response to Universal Credit: Welfare that Works

NAWRA recognises that the current system of benefits and tax credits is overly complicated and can lead to confusion among claimants trying to establish their entitlement. As such it welcomes the attempt to simplify the system and to make it fairer. NAWRA believes that the proposed universal credit has some positive features. However, there are also areas that are likely to cause hardship and penalise the poorer and most vulnerable in society.

4. Single Taper and Earnings Disregards

NAWRA welcomes the move to introduce a single taper that reduces the credit evenly as earnings increase thereby avoiding the peaks and troughs in income that can occur in the current system. It also welcomes the move to reward work of below 16 hours per week giving an incentive for people to move back into work gradually or to fit work round their other commitments such as children or caring. However, NAWRA notes the proposed taper is the current 65% housing benefit taper, which is already a main contributor to the “housing poverty trap”. It appreciates that reducing this to the original 55% has serious resource implications, but it would significantly improve marginal tax rates and the overall effectiveness of the scheme.

The introduction of more generous earnings disregards will help incentivise work but NAWRA has concerns about the proposal to reduce the disregards according to the claimant’s housing costs. This will hit larger families and those with larger housing costs disproportionately. For those who find their earnings disregard reduced to the “disregard floor” there may well be no financial advantage to going to work; they may even be financially worse off allowing for the costs of work and therefore find themselves trapped on benefits—the very situation this system is trying to remove.
A further anomaly in the proposed disregard system is the removal of any earnings disregard for single, childless people including those with a disability. There seems to be no reason to treat single people less favourably or to reduce their incentive to work. Currently single disabled people get a £20 earnings disregard while those without a disability get £5. NAWRA does not support the proposal to remove these or their equivalent.

NAWRA recommends that the introduction of the universal credit is an opportunity to stop the punitive treatment of under 25s. The cost of living is no less for people under the age of 25 and to expect them to exist on a lower level of income is unrealistic. NAWRA would argue that it is imperative to give young people strong incentives and support into work at the start of their lives and therefore earnings disregards and levels of support should reflect this.

5. Administration

The simplification of the system so that claimants only have to deal with one organisation—the DWP—is a welcome change. This should avoid confusion and help avoid both underpayment and overpayment situations as it will be clear who to notify changes of circumstance to. The ability to do online claims and notify changes online is also welcome on the clear proviso that telephone and face-to-face access will be easily available for those who need it.

The development of a realtime information system to provide current earnings information is also welcome—this will allow the system to respond to claimants with variable earnings and make it easier for claimants to manage as they will not have to continually notify changes of earnings. It is imperative that this system is working correctly before the introduction of the universal credit.

NAWRA has serious concerns about the proposals concerning self-employed particularly the assumption that claimants will have earnings equivalent to the minimum wage for the number of hours they are working. It is well accepted that small businesses can often run at a loss for the first year or two. To assume a minimum wage will cause real hardship and act as a massive disincentive to people using their initiative and setting up on their own. NAWRA believes a system is needed whereby self-employed claimants can submit an estimate of their income for the year and be able to adjust this easily as circumstances change.

6. Council Tax Benefit

Currently it is proposed that council tax benefit remains outside the universal credit. NAWRA does not support this. If this were the case it means the 65% taper will no longer apply for the poorest people. All those on council tax benefit will have earnings equivalent to the minimum wage for the number of hours they are working. It is well accepted that small businesses can often run at a loss for the first year or two. To assume a minimum wage will cause real hardship and act as a massive disincentive to people using their initiative and setting up on their own. NAWRA believes a system is needed whereby self-employed claimants can submit an estimate of their income for the year and be able to adjust this easily as circumstances change.

NAWRA is concerned over the potential for local schemes to wipe out improvements in universal credit and we would recommend a national scheme remains.

7. Childcare and Foster Carers

These circumstances are not resolved within the white paper. There is no mention of foster carers. Thought needs to be given to this and it should be ensured that they do not end up worse off under the universal credit. Foster carers are an incredibly valuable and scarce resource and they must not be penalised under the new system.

NAWRA welcomes the proposal to include help with childcare for those working less than 16 hours per week as this will increase options for people with children to take up work. Affordable childcare is an essential for many claimants wanting to take up work. NAWRA does not support the reduction in childcare support soon to be introduced within tax credits. We would ask that universal credit reverse this move.

The universal credit offers no way for split payments between parents who share childcare—a problem also within the current system. This is an opportunity to address this problem. Shared care is a common phenomenon and the financial issues that go with it need to be dealt with. Consideration should be given to looking at a way to split payments where there is shared care.

8. Carers

Universal credit provides an opportunity to improve provision for carers. There is an opportunity to disregard carer’s allowance as income and remove earnings limits thereby allowing carers to actually receive some financial reward for 35+ hours work per week.
9. HOUSING COSTS AND CAPping OF Benefits

NAWRA supports the extension of help with housing costs to those working 16 or more hours per week. Many homeowners in the current system experience severe hardship on increasing their hours and losing help with housing costs abruptly.

However, NAWRA has concerns about the total benefit cap being part of the universal credit system. This is disproportionately harsh on claimants with larger families and those living in areas of high housing costs. Areas with high housing costs are often areas with higher employment so claimants may find themselves in a Catch 22 of having to move away from these areas in order to be able to afford the housing and then finding themselves unable to gain employment. This is a problem which will arise sooner through the caps in local housing allowance.

Discretionary housing payments are also not addressed in the white paper. These are an essential support for many claimants in difficult times and NAWRA believes it important that a similar support system remains in place.

10. CONDITIONALITY

NAWRA has concerns about the presentation of conditionality in the white paper. Many people are a long way from being work-ready for many reasons. The answer is not to target conditionality but to target support. Feedback NAWRA has received from claimants undergoing work-related activity under Employment and Support Allowance (ESA) has been positive. NAWRA believes that resources should be put into extending this level of support to both jobseekers and those under ESA rather than focussing on punitive measures. There are concerns that the safeguards set in place will not be sufficient to ensure that people needing support do not slip through the net and get labelled as “non-compliant”.

NAWRA also has concerns about the notion of “fixed period” sanctions. Setting these in place reduce the incentive for claimants to re-engage until the sanction has passed. There is also a proposal to continue sanctions for a period after re-compliance. NAWRA believes this could lead to people disengaging completely from the process and it has serious concerns about what will happen to these people. Will there be any follow-up system for support or trying to re-engage?

The administrative costs of implementing sanctions and ensuring safeguards are met could also be high particularly where claimants have to appeal.

11. PASSPORTING

Under the current system passporting is clearly identified by the benefit a claimant is in receipt of. Universal credit will require a test linked to an earnings threshold. While this may seem fairer there are concerns that the administration will be overly complex and it will be difficult for claimants to understand when they qualify for passporting.

There are also concerns that passports that operate outside the benefits system such as discounts for local education and leisure facilities will not be able to operate under the proposed system.

12. CONCLUSION

NAWRA recognises the need to reform the welfare system and supports the positive moves made in this direction. However, it has serious concerns about the points raised here and hopes serious consideration will be given to them. The time limits for this response are short so NAWRA has only highlighted a few key points. We welcome the opportunity to respond further in the future.

December 2010

Written evidence submitted by Cambridge City Council

Universal Credit is described as a simple system, and a simple system is likely to be either very unfair, or very expensive. In order to create fairness, a system needs to be complex. For example, Housing Benefit for social housing is currently worked out according to an individual’s rental liability and their actual income and savings. This will be difficult to replicate within a centrally delivered, simplified scheme and whilst Housing Benefit may be complex to administer, it is penny perfect and is assessed on current levels of income and is therefore a fair system, reflecting current and immediate needs.

It can also be argued that whilst complex to administer, Local Authorities have made vast improvements over the past decade with customer service delivery, and the process has been simpler for customers over recent years.
1. Broad Rental Market Areas (BRMAs)

1.1 Regionally based allowances will create a high number of losers, particularly in areas such as Cambridge, where there is an expensive urban area, surrounded by a large rural area, much cheaper in rental market terms.

1.2 One of the recommendations in a recent Social Security Advisory Committee’s report is that “the Department reviews the BRMAs so as to ensure that 30% of PRS properties are available to HB claimants in each LA area”, which is certainly not the case in Cambridge.

1.3 Research by Shelter found that in Cambridge only 4% of rental properties were currently affordable (using the 50th percentile calculation) to people on LHA, as opposed to 70% being affordable in the rural areas of the BRMA. The change in calculation of LHA rates to the 30th percentile will make it less likely for people to find affordable privately rented accommodation in Cambridge. I cannot emphasise how paramount this (this is very different to available properties within a BRMA) and will inevitably be part of the foundations for Universal Credit.

1.4 Failure to do so will inevitably result in increases in the number of households with rent arrears, eviction and households presenting themselves as homeless, an increase in the number of households living in overcrowded conditions and a decrease in the number of and quality of private rented sector properties available to Housing Benefit tenants.

1.5 Furthermore, the lack of affordable accommodation will push people out into rural areas where the substantial additional cost of traveling will act as financial burden and act as a disincentive to commuting back into the city to do low-paid work.

1.6 There is already evidence that the introduction of such broad rental market areas has increased the amount of Housing Benefit paid versus the more traditional Local Market Rent Housing Benefit payments. Figures quoted are some £9 per claim per week. Tailoring payments towards actual rents rather than a broad-brush approach may achieve actual savings.

1.7 The alternative is to pay less benefit, which will result in a significant number of losers.

2 Central or Local Delivery?

2.1 Central control is key within the White Paper, but could prove difficult in relation to the way that Universal Credit will be delivered. Housing Benefit is currently delivered by Local Authorities and there are essential links with local council tax, homelessness and housing teams as well as strong accountability to local Members. These local links are essential when dealing with some of the most vulnerable within our society, and would be lost within central delivery.

2.2 A suggestion would be to keep Housing and Council Tax Benefit outside of the Universal Credit, and for this to continue to be administered locally as one of Local Authorities strengths is its proven track record in administering Housing and Council Tax Benefit as well as excellent customer contact. Fraud and Error rates are lower than HMRC and some other DWP administered benefits.

2.3 Alternatively Local Authorities would be better placed to implement the Universal Credit as they have excellent performance track records, are linked to local strategic issues, have over recent years done more for less, and already collect most of the information needed to assess other benefits.

2.4 It can be argued that it would be far easier and cheaper to develop existing LA software systems to set up Universal Credit. Strong links are already established between LA’s and DWP as well as with LA’s and housing providers.

2.5 Although a high proportion of private rental claimants have their rents paid direct, this is not the case for social housing. These tend to cater for the more vulnerable individuals who would be unable to manage a single income stream with multiple outgoings. This would be exacerbated if the amount allowed for housing costs were not to be readily transparent in the Universal Credit calculation.

2.6 Rental collection costs associated with an increase in direct payments will surely push up rents and therefore place a pressure to increase the general Universal Credit housing addition amounts to cover these costs.

2.7 A large centralised delivery system will not have the appropriate coordinated approach required to support people back to work nor link into the localism agenda.

3. Information Technology Related Issues

3.1 It is a dangerous assumption that the 8 million people who will be affected by Universal Credit will have access to on-line claiming facilities. Nearly one third of households do not have Internet access at home, and whilst telephone claiming has some success in recent years, on-line claiming and reporting of changes is still in its infancy.

3.2 Real time look-up of HMRC data to verify earned income would make claiming more straight forward, but is it really achievable in the timescales proposed? Currently employers are only required to report this
information to HMRC on an annual basis and the self-employed have different arrangements, so this must be seen as an aggressive, if not unfeasible timescale.

4. Affordability v Fairness

4.1 The Emergency Budget and the Comprehensive Spending Review saw announcements to changes to the existing Housing Benefit system that pave the way to Universal Credit.

4.2 From April 2011, Local Housing Allowance rates will be set at the 30th percentile of local rents for new claims and a period of up to nine months transitional protection will be available for existing customers from the date the claim is reviewed.

4.3 Nationally, for two-bedroom rate, the difference between the 50th percentile (used currently) and the 30th percentile is £9 per week or less in over half the areas in England. In Cambridge the difference is £25, representing a decrease of 15.3%, which is significantly greater than the percentage loss in London.

4.4 Currently Cambridge has 800 LHA claimants, and if on average, each claimant loses £20 per week, this would equate to £832,000 per year.

4.5 Whilst it is accepted that the above figures relate to the current scheme, the changes to Housing Benefit are seen as paving the way to Universal Credit and that in order to achieve the considerable savings that are to be delivered through Universal Credit, there will be a considerable number of losers. A simplified system will simply be unable to cater for the diverse range of customer needs.

4.6 We know that Universal Credit is likely to be less generous than the existing schemes if the Emergency Budget and Comprehensive Spending Review announcements are paving the way for Universal Credit. The change to the 30th percentile, the increase in non-dependant deductions, the introduction of the benefit cap, the cuts to Child Benefit and Tax Credits, more rigorous testing for disability benefits, the sanction for unemployed in receipt of JSA for 12 months, the uprating of benefits using CPI instead of RPI, all signify warnings regarding a reduction in payments via Universal Credit.

4.7 The vast majority of Housing Benefit claimants are pensioners, disabled or carers, and people in low paid jobs, with a minority of people being unemployed. Redesigning the welfare system under the premise of getting people back to work and reducing perceived escalating costs ignores the fact that it is actually the safety net for the most vulnerable within our society.

December 2010

Written evidence submitted by Building and Social Housing Foundation

Executive Summary

The Building and Social Housing Foundation (BSHF) supports the government’s commitment to welfare reform. The White Paper provides only a brief outline of the housing component of Universal Credit. If Universal Credit does not deal effectively with housing it will fail to achieve its objectives.

BSHF makes the following recommendations for the development of Universal Credit:

1. Any index linking of Universal Credit housing payments and associated caps should be subject to annual, or at most biennial, revaluations.
2. Provision should be made for direct payment to both social and private landlords where appropriate.
3. The government should urgently clarify the relationship between proposals for Affordable Rent and welfare reform.
4. The government should ensure that the localisation of Council Tax Benefit does not undermine the objectives of Universal Credit.
5. Universal Credit should reform non-dependant deductions to create a fairer and simpler mechanism.
6. The government should consider the introduction of Universal Credit as an opportunity for adopting a bold new form of support with mortgage costs.
7. If support with mortgage costs is included within Universal Credit, modifications should be made to Support for Mortgage Interest to create a system that is more compatible with the principles of the new benefit.

BSHF is an independent housing research charity that is committed to ensuring access to decent and affordable housing for all. BSHF holds Special Consultative Status with the United Nations Economic and Social Council. In June 2010 BSHF held a Consultation at St George’s House, Windsor Castle, bringing together practitioners and academics from a wide range of housing-related backgrounds to examine support with housing costs (see www.bshf.org for details).
1. Clarifying the detail of the housing of the Universal Credit

1.1 BSHF supports the government’s commitment to “reforming the welfare system to make it fairer, more affordable and to tackle poverty and welfare dependency, whilst continuing to support the most vulnerable in society.” 94

1.2 As a housing research charity, BSHF’s primary interest relates to the role of housing in the broader welfare system. As well as being a fundamental human need, housing is a vital part of the welfare system because:

— It is typically households’ largest payment;
— It is one of the most difficult items of household expenditure to change. It is costly to move house, access (particularly to social housing) can be very constrained, and there are further difficulties for those with family commitments such as children in school, or care of elderly relatives;
— There are massive regional and local variations in the cost of housing, much more so than for other items of expenditure.95

1.3 The White Paper provides only a brief outline of the housing component of Universal Credit. If Universal Credit does not deal effectively with housing it will fail to achieve its objectives.

1.4 This response addresses each of the statements in the housing section of the White Paper in the order that they appear.

2. “The intention is that… support for rent, currently delivered by Local Authorities, will… be replaced by Universal Credit.” (Chapter 2, Section 28)

2.1 In designing Universal Credit it is important to consider the residual role for local authorities. It may be that some non-mainstream support is difficult to provide centrally; but the benefits of leaving these functions with local authorities must be balanced with the associated costs. At present, for example, local authorities must run computer systems capable of handling all aspects of Housing Benefit claims. Substantial savings may be achievable by moving to a single central computer system, but any functions left with local authorities will limit the ability for IT tools to be removed.

2.2 In moving to a centralised system it is also important that government does not underestimate the value of local knowledge in the current system, such as tacit knowledge of addresses that provide hostel accommodation.

3. “Our aim is to simplify provision for rent support in Universal Credit as much as possible, while protecting potentially vulnerable people from unintended consequences.” (Chapter 2, Section 29)

3.1 BSHF supports reform of Housing Benefit in order to create a simplified and sustainable system that protects the amount of money available to households after housing costs.

4. “We will set the amount we pay to support people in the private-rented sector at a level that will generally make the lowest third of market rents affordable.” (Chapter 2, Section 29)

4.1 Setting support at the level of the lowest third of market rents is not unreasonable as a general target. However, a more nuanced approach is required to reflect the variation in local markets. Examples of areas where flexibility will be required are those with particularly high numbers of claimants and those where market failure has resulted in a concentration of substandard properties at the low end of the market.

4.2 Moreover, the commitment to making the lowest third of the market available could very easily fail to be met if recent changes to Housing Benefit are transferred to the Universal Credit. Consumer Price Index (CPI) indexation (discussed below) and national caps could undermine this commitment in high-price areas.

4.3 BSHF has previously noted that an alternative to crude LHA caps would be to redefine Broad Rental Market Areas (BRMAs) to account for typical longer commutes in areas such as London. However, it must be stressed that if commuting is considered a desirable option for those in receipt of support with housing costs, then the cost of commuting must be taken into consideration.

5. “Rates will be set and uprated to ensure that the support received is fair but not excessive.” (Chapter 2, Section 29)

5.1 The Budget proposed that LHA rates would be linked to the CPI. It appears likely that this measure will achieve cost savings, as in recent years rent inflation has been higher than CPI (Figure 1).

94 Universal Credit: Welfare that Works, p. 6
5.2 Whilst indexation of LHA may be useful in controlling costs in the short term, it is likely to create significant problems if it is adopted as a long term strategy. In the long term, benefit rates are likely to diverge from actual rents and fewer homes will be available to claimants in many areas.

5.3 The differing local impacts of indexation may be particularly damaging due to significant variation in how rental prices change in different areas. This regional and local variation is greater than changes that are seen in other items of household expenditure. For example, between 1999 and 2007, private rents increased by 30% in the North West, compared with 78% in the North East.\(^{98}\) It is therefore vital that policies take this variation into consideration if they are to have similar outcomes for households in similar circumstances in different parts of the country.

5.4 If actual rents and LHA rates are allowed to diverge there will be significant negative outcomes for tenants. Landlords may be less willing to let to tenants in receipt of LHA or may exit the market altogether, reducing the number of properties available for those in receipt of benefits, a problem that will increase over time as LHA rates fall behind market rents.

5.5 Those tenants who are able to find properties will face an increasing shortfall in their rent, which they will have to make up themselves. As a principle, the main component of benefits is to be set at a level that is not excessive, covering only necessities. Whilst this is reasonable, it implies that claimants will have little surplus with which to top up shortfalls in housing costs. Consequently, support must continue to meet reasonable housing costs if the risk of increases in indebtedness (and eventually homelessness) is to be avoided.

5.6 However, it may be possible to adopt a form of indexation that simplifies the current system and creates greater certainty for tenants, landlords and the government, whilst avoiding the worst potential impacts.

5.7 Lord Freud recently stated that the indexation of Housing Benefit is proposed to last from 2013 until the end of the current Spending Review period.\(^{99}\) The introduction of the Universal Credit therefore represents an ideal opportunity to create a longer term approach to the uprating of support with housing costs. Any indexation of the housing component of Universal Credit will require a robust uprating mechanism. In addition to upratings of Universal Credit payments, it is also important to uprate any absolute caps that may exist within Universal Credit.

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5.8 It is important that revaluations occur frequently in any new system of uprating. If there is a long gap between revaluations, the step increases required become large. This not only means that households will face increasing shortfalls in their payments, but it also becomes politically problematic to increase the payment sufficiently (Figure 2).

**Figure 2**

**IMPACT OF LENGTH OF TIME BETWEEN REVALUATIONS**

<table>
<thead>
<tr>
<th>Time</th>
<th>Cost</th>
<th>Rent</th>
<th>Payment (short interval)</th>
<th>Payment (long interval)</th>
</tr>
</thead>
</table>

5.9 Recommendation 1: Any index linking of Universal Credit housing payments and associated caps should be subject to annual, or at most biennial, revaluations.

6. “For social-rented sector tenants... the housing component will... [be] based on actual rents” (Chapter 2, Section 30)

6.1 BSHF supports the principle that the housing component of Universal Credit should reflect actual rents in the social rented sector.

7. “There are advantages in paying the housing component to individuals... However, we also recognise the importance of stable rental income for social landlords to support the delivery of new homes” (Chapter 2, Section 31)

7.1 Any removal of direct payments from housing associations could hinder their ability to borrow, requiring alternative government support if housing delivery is to be maintained. It is also likely that housing associations would face higher costs arising from increases in arrears.

7.2 In addition, there need to be safeguards in place for private landlords, otherwise they may be less willing to let to tenants in receipt of benefits. This is particularly important for vulnerable individuals who will still need payments to be made directly to their landlord.

7.3 Recommendation 2: Provision should be made for direct payment to both social and private landlords where appropriate.

8. “There are many policy and operational issues to work through in respect of housing.” (Chapter 2, Section 32)

8.1 BSHF welcomes the acknowledgement that there are outstanding issues to be resolved in the housing component of Universal Credit. It is vital that these proposals are coordinated with wider housing policy to create a coherent approach to housing and welfare reform. There is a risk that recent changes to housing policy will undermine steps taken to make benefit expenditure sustainable.

8.2 One area that deserves particular attention is the impact of Affordable Rent on welfare expenditure. In order to analyse this, BSHF made requests to DCLG, DWP and HMT for modelling they had undertaken on the impact of Affordable Rent on Housing Benefit expenditure. The departments declined to provide this information as the policy was still under development.
8.3 In the absence of these assumptions it is difficult to make predictions, but basic modelling by BSHF suggests that the introduction of Affordable Rent could add cumulatively £390 million to Housing Benefit expenditure each year. By the end of the Spending Review period that could amount to an increase of Housing Benefit expenditure of £1.56 billion per year.\(^{100}\) This is in contrast to the government’s projected savings of £2.25 billion for 2014–15.\(^{101}\)

8.4 Recommendation 3: The government should urgently clarify the relationship between proposals for Affordable Rent and welfare reform.

8.5 The localisation of Council Tax Benefit (CTB) will also need to be considered alongside Universal Credit. There is a risk that local authorities will set up their schemes in ways that clash with the objectives of Universal Credit. Specifically, it could reintroduce the problem of multiple tapers interacting to create high marginal withdrawal rates, which Universal Credit is designed to avoid. Two options are available to combat this potential problem. The first is to reconsider including CTB within Universal Credit. The second is for government to work with local authorities to create a clearer framework for a local CTB that, as a minimum, ensures that it does not recreate high marginal deduction rates.

8.6 Recommendation 4: The government should ensure that the localisation of Council Tax Benefit does not undermine the objectives of Universal Credit.

8.7 Non-dependant deductions complicate the Housing Benefit system and create problems for households. Younger people are discouraged from staying at home, as their parents may find their Housing Benefit significantly reduced. Equally, many older people lose support with housing costs as non-dependants frequently do not pay the householder for the benefit deducted. An alternative model that may simplify the system could be to treat non-dependants as separate households, even if they are occupying the same dwelling. Claimants’ housing support entitlements would then be based on the size of their household excluding non-dependants, who would themselves be eligible to make a claim should their circumstances entitle them to.

8.8 Recommendation 5: Universal Credit should reform non-dependant deductions to create a fairer and simpler mechanism.

8.9 There are other groups of people who have different housing needs that should be considered during the development of Universal Credit. These include:

- People who do not live in traditional bricks-and-mortar accommodation (Gypsy and Traveller accommodation, houseboats, etc);
- Severely disabled adults who are expected to need significant support for the rest of their lives. It would be important to consider housing in conjunction with their other needs such as health and social care;
- People living in temporary accommodation. Both the transitory nature and the cost of this accommodation mean that it would be important to ensure that Universal Credit is able to reflect the needs of people in this situation.

9. “We will consider whether changes are needed to the current approach to calculating help with mortgage costs to ensure it is consistent with Universal Credit principles.” (Chapter 2, Section 33)

9.1 Whilst it would appear equitable to treat mortgage payments as similarly as possible to rent payments, owner occupation is an investment as well as a consumption good and justifies a distinct treatment.

9.2 There are also practical reasons for differential tenure treatment. For example, owner occupation is generally significantly less flexible than private renting.

9.3 There is significant justification for considering a bold overhaul of the type of support available to households in owner occupation. The SHOP (Sustainable Home-Ownership Partnerships) proposals developed by the Joseph Rowntree Foundation\(^{102}\) would warrant particularly close attention, as a model that balances the interests of borrowers, lenders and the state.

9.4 Recommendation 6: The government should consider the introduction of Universal Credit as an opportunity for adopting a bold new form of support with mortgage costs.

9.5 If support with mortgage costs is brought within Universal Credit, there are several issues that will need to be resolved. These include:

- Universal Credit is designed to have smooth tapers that will be based on the level of income, not the number of hours worked. Support for Mortgage Interest (SMI) is currently hours limited;
- SMI is time limited with both a waiting period before the claim will be paid and a limit on how long it will be paid for. Neither of these is consistent with other aspects of Universal Credit;

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\(^{100}\) Calculations available from BSHF on request.


— SMI is paid at a standard rate of interest, as opposed to actual costs, which can result in overly generous payments, or in under-payments that leave claimants accruing arrears;
— SMI is paid with reference to the current mortgage of the household, subject to a cap. At the high end, this can pay for a substantially larger house than claimants would be eligible to receive support on if they were private renting. In higher price areas, the cap can constrain payments at a significantly lower level than in private renting.

9.6 Addressing some of these issues to make SMI consistent with other support in Universal Credit is likely to add substantially to its costs. An alternative model might look to balance cost, the principles of Universal Credit and reasonable treatment of claimants.

9.7 Universal Credit could pay the actual interest costs faced by the claimant for a set period (to account for the inflexibility of owner occupation). After this set period support could be capped at whichever is the lower of the actual costs or the award they would be entitled to if they were claiming rental support. In general, support should not be indefinite for households with mortgages. If a household is unable to afford owner occupation over a significant period, then it is not necessarily an appropriate tenure.

9.8 There are options available for determining the level of interest paid to avoid under- or over-payments without having to rely on the claimant reporting changes to their interest rate, including:
— Requiring lenders to charge interest at a particular rate for those claiming this support;
— Requiring lenders to provide real-time reporting of rate changes to the DWP.

These are not unreasonable burdens to impose on lenders given that government support is being provided to uphold a private contract between the household and mortgage provider.

9.9 As Universal Credit will be a working age benefit, the treatment of pensioner households is not within its direct scope. However, there is an argument for considering pensioners as a special case in terms of mortgage support. There is a significant and increasing number of SMI claimants that are pensioner households, who could potentially remain supported indefinitely. In these cases it may represent value for money for support to be given by paying off the mortgage in return for an equity stake in the property (which is very likely to be cost effective, as equity is returned when the household moves on).

9.10 Recommendation 7: If support with mortgage costs is included within Universal Credit, modifications should be made to SMI to create a system that is more compatible with the principles of the new benefit.

December 2010

Written evidence submitted by Shelter

1. Summary
— Shelter welcomes the Committee’s decision to hold an inquiry into the proposed Universal Credit. This submission will focus on the implications of the reform on payment for housing costs via housing benefit (HB) and to a small extent for Support for Mortgage Interest.
— HB is a major priority for Shelter both in our campaigning work and in our front-line services. Shelter’s services provide practical advice, support and innovative services to over 170,000 people a year, helping people with housing, debt and welfare issues through face-to-face, online and telephone services. In the 12 months to the end of June 2010, more than 3,200 people contacted Shelter services in England for help with problems with HB.
— We are supportive of many aspects of the Universal Credit proposals, especially measures to tackle work disincentives and to simplify the system. The employment barriers for claimants and the excessive complexity of the system are common issues for our clients and we are pleased that the government has recognised this and is looking to address these problems.
— However, Shelter’s major concern with the Universal Credit is the possibility that the housing benefit element will lose the link to housing costs in the private and social rented sectors, with the result that shortfalls between benefits and rents will increase, throwing more claimants into arrears and, in the private sector and under Affordable Rent, making fewer properties in ever smaller areas available for claimants.
— We are also keen to ensure that the new work incentives and conditionality arrangements take into account the fact that many HB claimants are genuinely unable to work due to disability and caring responsibilities, and that a large proportion are already working but on low incomes and with limited ability to increase their earnings.
— As part of these reforms, it is important to also tackle some of the underlying problems with the local housing allowance (LHA), especially issues with the way Broad Rental Market Areas (BRMAs) are drawn and the need to offer more choice to tenants on having payments made direct to landlords.
— Shelter will also take a great interest in how the changes are communicated to claimants and we have urged the government to ensure that this aspect of the reforms is planned thoroughly in advance of the changes and implemented with care.
II. Evidence

Link to local housing costs

1. It is essential that in incorporating housing benefit into the Universal Credit the link between benefits and rents for claimants in the private rented sector is not lost. This link is fundamental in terms of ensuring that, regardless of any changes in rent levels, low-income households can afford a roof over their heads. To undermine this principle would mark a substantial retrograde step in the provision of state support for housing and would significantly increase poverty and spatial inequality.

2. The white paper says that support for rent will be paid at a level “that will generally make the lowest third of market rents affordable”.104 However, it has also been suggested that LHA will be up-rated in line with the Consumer Prices Index (CPI) rather than in line with local rents. This will be the case from 2013 onwards both for LHA as a stand-alone benefit and for the Universal Credit as claimants migrate onto the new system. In both instances this is potentially disastrous. Although rental costs are included in the CPI, they account for only 5.4% of the basket of goods used to measure price changes.104 Historically, this means that the CPI has not increased at the same rate as average rents. Between 1997–98 and 2007–08, average rents increased by 70%, but over the same period CPI increased by only 20%.105

3. The linking of LHA with CPI would, over time, severely exacerbate shortfalls between payments and rents. This will mean that large parts of the country will become no-go areas for people on LHA, and claimants will be concentrated in low rent areas with fewer job opportunities. This is on top of cuts to LHA being introduced from 2011 that researchers at Cambridge University have said could cause 134,000 households to be evicted or forced to move.106

4. It is also essential that the housing component for claimants in the social sector also retains a link to their actual housing costs. Currently, social tenants who are entitled to full housing benefit can assume that the payment will cover their entire rent. Proposed reforms to restrict housing benefit to the claimant’s appropriate property size suggest a move away from this principle. The up-rating of Universal Credit will also need to reflect rent rises in the social sector, which are not necessarily restricted to CPI inflation. Failure to recognise rent rises could leave social tenants increasingly unable to afford their rent.

5. Support for Mortgage Interest, or any new equivalent benefit, should also more accurately reflect actual interest rates paid by claimants, not nominal rates that result in over- or under-payments.

Work incentives and conditionality

6. Shelter has long argued that for many benefits claimants, work does not pay. This is because households claiming housing benefit and other benefits face a steep withdrawal of benefit whenever their income increases. We welcome the fact that the government has recognised this problem and is taking a proactive approach to tackle it. We are in favour of the proposal to increase the earnings disregard and we also agree with the proposals to improve work incentives through a unified taper. The single taper should make it easier for claimants to calculate how much additional income they can gain from taking up employment or increased hours. Currently these calculations often require detailed knowledge of the complex array of tapering rules for each benefit. We would encourage the government to make this taper as generous as possible to ensure that it is not only simple but also effective.

7. Shelter would also be in favour of introducing a policy of fixed period awards for claimants who are in work for six months. This is not currently part of the government’s proposals. Payments would be fixed at the level received prior to starting work and would not fluctuate, unless the claimant reported a significant drop in income. If employment continues, average wages for these first six months could be used to set the benefit level going forward. Previous surveys of LHA claimants by Shelter has suggested that this would make more than half of unemployed claimants more likely to consider starting work.107

8. If conditionality is increased, it is important to be sensitive to claimants who are unable to work or unable to take on full time hours for legitimate reasons. Many benefits claimants have work-inhibiting disabilities or significant caring duties, and are unable to take on full time hours. Additional benefit conditions should be flexible and not imposed on a one-size-fits-all basis. It is also important to ensure that any penalties as a result of conditions are aligned with the appropriate benefit stream. Specifically, the government should not continue with or extend the principle set out in the emergency budget that failure to secure employment should result in cuts to housing benefit.

9. In tackling the problem of work incentives it is important not to promote the misconception that all benefit claimants are unemployed. In fact, 14% of HB claimants are working households who require additional support in order to meet their housing costs, and this rises to 26% among private tenants on LHA.108

104 Universal Credit: welfare that works, DWP, 2010, paragraph 29.
105 Office for National Statistics, Consumer Price Indices guide
106 CLG Survey of English Housing 2007/08
107 How will changes to Local Housing Allowance affect low-income tenants in private rented housing?, Cambridge Centre for Housing and Planning Research, 2010
108 Shelter, For Whose Benefit?: A study monitoring the implementation of LHA. 2009.
109 DWP figures, May 2010
10. Vulnerable claimants are currently able to arrange for their **LHA to be paid direct to their landlord** and it is important that this remains the case under Universal Credit. For this to change under Universal Credit would cause great difficulties for tenants and landlords. Additionally Support for Mortgage interest is currently paid direct to lenders and we anticipate robust criticism if this practice was changed under Universal Credit.

11. Shelter has also advocated for some time that the option be available for all LHA claimants to have their benefit paid directly to their landlord. Since direct payments to landlords were abolished, tenants and landlord associations alike have consistently campaigned for their reinstatement. Many claimants have experienced cash flow problems when delays in other benefits or unexpected costs have forced them to use rent money to meet other essential needs. For landlords, the risk of arrears is inevitably higher and there is evidence that this has deterred many landlords from serving the housing benefit market. The delivery mechanism that will be set up for the housing benefit portion of Universal Credit could be designed from the outset to accommodate the option of direct payments for claimants who request it.

**Broad Rental Market Areas**

12. BRMAs are the geographic areas that are currently used for calculating levels of LHA. If BRMAs continue to form the basis for calculating the housing element of the Universal Credit for claimants in the private rented sector, **they need to be redrawn** to ensure that claimants can access at least 30% of the private rented sector market in their area. There have been ongoing problems with the way BRMAs are set, which in some areas has led to LHA claimants being unable to afford the expected market share of properties in their community. The use of large BRMAs can push households away from good transport links and areas with access to employment and childcare. This problem will become more pronounced when LHA levels are reduced from the 50th percentile to the 30th.

13. One option would be to **align BRMAs with local authority boundaries**, which would be a more recognisable “neighbourhood” for claimants to find properties in and would also assist local authorities in meeting their homelessness duties and prevention strategies. Any changes made to the boundary areas need to be made on the basis of a full impact assessment of how these changes would affect claimants’ levels of shortfalls and their ability to access affordable housing. The Valuation Office Agency would be best placed to do this.

**Complexity**

14. The benefits system is too complicated and Shelter **welcomes the government’s determination to introduce greater simplicity**. Shelter’s clients regularly report frustration with the current HB system. Our research has revealed that 28% of LHA clients feel the current process is too complex and 27% complained of incomplete or confusing information. We also welcome the government’s decision to give responsibility to the Department for Work and Pensions for implementing and administering the Universal Credit, rather than this being spread between multiple agencies.

15. We hope that the reforms will successfully tackle **delays in processing claims**, as these delays can cause considerable financial hardship and anxiety. The average time to process a new claim, while vastly improved, is still 23 days and this can increase to an average of 59 days in the worst performing local authorities. This is an unacceptable delay for households operating on a tight budget. Claims are also suspended as soon as a change in circumstance is reported. Recalculations take an average of five days, rising to 17 days in the worst performing local authorities, putting claimants at risk of rent arrears. Additionally we hope that plans to combine benefits into a unified payment will include safeguards against a complete loss of income during initial processing or recalculations.

16. It is important not to overstate the cost of benefit fraud versus other errors. Government figures show that overpayments due to fraud are outweighed by **overpayments due to mistakes made by officials and customers**. Between April 2008 and March 2009, fraud in the HB system accounted for 1.5% of total HB expenditure compared to 3.4% made by official error. Overpayments due to bureaucratic mistakes can leave low-income households struggling to budget when these are recouped. It will be particularly important to get this right once the Universal Credit is implemented, as under this system overpayment and repayment levels could apply across the board and therefore be much higher.

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100 Survey of English Housing 2007/08.
101 Shelter. A Postcode Lottery?: Part 1 of a study monitoring the implementation of Local Housing Allowance: 2009
102 Shelter. A Postcode Lottery?: Part 1 of a study monitoring the implementation of Local Housing Allowance: 2009
103 Shelter/Crisis, Housing Benefits Not Barriers, October 2008
104 DWP, Estimates of Fraud and Error across all benefits in 2008/09
Household-wide claims

17. The introduction of the household-wide claim for Universal Credit is potentially problematic. In order for the household claim to work, it will depend on the lead claimant being aware of the income and needs of all household members, which may not always be shared. Paying all benefits to a lead household claimant poses problems for households experiencing domestic violence, as money could be withheld by the perpetrator. This will be a particular issue if a lease is assigned to the victim but Universal Credit is paid to the perpetrator, as it is not uncommon for perpetrators to run up debts in their victim’s name.

Implementation

18. It is important that, whichever options are chosen, the reform process is not rushed and proper impact assessment are undertaken. The proposals within the consultation document will affect millions of people, with official figures amounting to 5.9 million working-age claimants, including many vulnerable groups. We welcome the decision to introduce Universal Credit on a staged basis, with new claimants beginning to join the system a few months ahead of existing claimants. We would also recommend that existing claimants are introduced very gradually to maximise opportunities for any flaws in the system to be identified and addressed.

19. All changes must be communicated clearly and promptly to claimants. Standard letters must plainly set out the expected change in the amount claimants will receive and the way benefits will be paid, and explain which agency now has responsibility for managing payments. Communications must be planned far in advance to allow claimants to plan for any drop in income and to prevent tenants signing new tenancy arrangements which they may not be able to afford to service. It is likely that any reforms will create considerable anxiety among claimants, so communication materials should point people towards further sources of advice. Shelter is happy to advise the government on the communication strategy to ensure it meets the needs and expectations of our service users.

December 2010

Written evidence submitted by Mckay2010

Summary

The Universal Credit is an ambitious attempt to radically change the benefits and tax credits systems. This note identifies some of the key challenges that it faces. There remain important unanswered questions about the treatment of carers and of council tax benefit within Universal Credit. A more responsive system also brings certain disadvantages as well as improvements, in terms of effects on people’s budgeting.

Background

1. We have been here before. There have been several past attempts to pursue greater integration of benefits and the tax system (tax credits in this instance). They have tended to founder, and for similar reasons.

2. In 1972 a Green Paper, Proposals for a tax credit system, sought to combine the tax system with various social security benefits. It stopped short of full integration. Despite some support it was not taken forward; among several issues there was also a concern that the proposed 50% withdrawal rate was too high and would have negatively affected work incentives.

3. In 1984 researchers at the Institute for Fiscal Studies (IFS) Dilnot, Kay and Morris proposed the most thorough-going integration of taxes and benefits, including an end to contributory benefits and means-testing of all social security. Whilst this was not taken forward, the June 1985 Green Paper on the Reform of Social Security talked about some closer integration of taxes and benefits. Instead the 1988 Fowler reforms offered greater consistency in the treatment of working and non-working families. It aimed to pay Family Credit (an in-work benefit, the predecessor of tax credits) through the wage packet, but this was not implemented—probably by the strong combination of “purse-v-wallet” arguments (non-working mothers would potentially lose out to fathers who were in work) and opposition from the small business lobby on administrative grounds.

4. The 1997 Labour manifesto said “We will examine the interaction of the tax and benefits system so that they can be streamlined and modernised, so as to fulfil our objectives of promoting work incentives, reducing poverty and welfare dependence and strengthening community and family life.” Martin Taylor (of Barclays Bank) was appointed to a task force to look at the closer integration of taxes and benefits, and policy moved towards tax credits firstly through Working Families’ Tax Credit, and now the Child and Working Tax Credits.

5. In 2009 the Centre for Social Justice’s report, Dynamic Benefits, proposed a “Universal Credits” scheme. This would, “Simplify the benefits system by moving from the current 51 possible benefits, to two streamlined payments—Universal Work Credit, and Universal Life Credit”. It proposed a 55% taper on net income (55p in benefits lost for each extra £1 in take-home pay).

6. The proposed Universal Credit is less ambitious, seeking to replace six of the current benefits and tax credits with a single programme, and with a 65% taper on net earnings. The benefits/credits replaced are: Income Support, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance,
Housing Benefit, Child Tax Credit and Working Tax Credit. As with the CSJ’s Universal Credits, the scheme also proposes a massive extension of earnings disregards in benefits—the amount that may be earned before benefits are reduced—except in the case of Universal Credit for single adults who lose their current low disregard entirely.

**Key Challenges**

7. Schemes of this type must meet a number of difficult challenges. It is largely because of such challenges that we have different kinds of benefits, and distinctions between transfer payments made to working compared with non-working families. The key challenges include:

   (a) Who, in couples, receives the payment? If the aim is to reward work, then the worker might be best-placed to receive the payment. If the well-being of the family and children is important, it has been traditionally assumed that mothers should be paid directly, as with Child Benefit. This is the “purse versus wallet” dilemma.

   (b) Second, what are to be the periods of assessment and payment? Income-related benefits have generally responded to short term changes in income, on a weekly or monthly basis, whilst tax credits have been assessed over a much longer period and (with exceptions) are slow to respond to changes in earnings. Tax credits in a given year may relate to the level of income in the previous year—and a new disregard for income drops (from 2012) will reinforce this “stickiness” of tax credits.

   (c) What is the role and fate of benefits that are outside the system? This includes the remaining contribution-based and disability-related benefits and, importantly, benefits for carers and mothers.

8. Whatever the administrative design of benefits and tax credits, there are inevitably trade-offs between maintaining work incentives, keeping people out of poverty and keeping down the overall cost of any system.

**The Universal Credit**

9. Universal Credit has particular answers to some of these challenges. There are also a number of points still to address where final decisions appear still to be made. Gareth Morgan, in his analysis Benefits in the Future, comments that the White Paper is “less definitive than is usual”.

10. One benefit not included in the definite plans is Carers Allowance. This is set at a lower level than Jobseeker’s Allowance, and including it within a single Universal Credit would presumably require higher resources—or a more transparent admission of the lower benefit rate for this group. The Social Fund is proposed for partial inclusion in the new system (for the more automatic elements) and partial “devolution” to local authorities for more discretionary elements. Details of the movement of the latter systems (Crisis Loans and Community Care Grants) are yet to be revealed. Council Tax Benefit is being devolved to local authorities, and reduced by 10% compared to current spending, and is therefore also outside of the Universal Credit. However the treatment of Council Tax is important to the calculation of marginal tax rates, and to the certainty of any scheme wanting to ensure that being in work is financially more rewarding that being out of work.

11. Another issue not directly resolved by the White Paper is the treatment of “passported benefits” linked to existing schemes (such as free school meals, or free prescriptions). These have previously been linked to conditions based on combinations of hours worked and amounts of benefit received. The plan is to withdraw such benefits gradually rather than at a single income threshold, but the details are still to be worked out.

12. The responsiveness of the Universal Credit to changes in circumstances relies on delivery of “real time” PAYE information from HMRC. This excludes the self-employed by definition, and it presumably faces challenges where there are two earners in a couple, or where a person holds more than one job.

**Other Considerations**

13. Older people are excluded from the main Universal Credit—although the White Paper allows that they might benefit from inclusion if they are still in paid work of 16+ hours (and thereby ineligible for Pension Credit). This also prompts questions about the treatment of older people living with a partner of working age, in terms of which benefits system they would be included within (albeit this is nothing new).

14. A gradual introduction of Universal Credit is proposed, starting with new claims and then bringing in existing claimants. There is transitional protection for those who would be worse off at the point of introduction. Experience suggests that there are problems running different systems in parallel (eg the child support systems) and this may give rise to a “better-off” problem, where some existing claimants would be better off on Universal Credit. There will need to be guidance on the circumstances in which a new claim would be permitted. The transitional protection may also need to consider the effect of small changes in circumstances (eg a few hours of extra work) and their effects on the protection offered.

15. The changes to the system of income disregards is quite radical. If they are an important source of the advantages of the Universal Credit over the existing system in showing that work pays, why should their introduction be delayed? This would seem one of the easier elements to introduce in the near future, rather than waiting until 2017 for everyone to benefit from this change.
16. Changes that replace several payments with a single payment are likely to affect the way that people budget. Whilst those on a salary may be familiar with a single payment, those receiving several benefits may be accustomed to allocating certain benefit to different uses—see for instance Elaine Kempson’s analysis of Life on a Low income (1996). They may have to learn new budgeting habits under a Universal Credit. The plans for digital applications might also need to reflect the use of potentially costly digital devices by some low-income families.

17. Removing the stickiness of some benefits, particularly tax credits, is potentially double-edged. A person gaining a higher wage, or working more overtime, might see a reduction in their Universal Credit payment in the next month rather than in several months’ time under the current system. This might mitigate the perceived returns to working additional hours. The effect of transparency is made all the more important as, overall, marginal deduction rates continue to be relatively high for many people.

18. There are, of course, important advantages to introducing the Universal Credit. This note has focused on areas of challenge and potential difficulty.

December 2010

Written evidence submitted by Catch22

Catch22 is a local charity with a national reach. We work with young people who find themselves in difficult situations.

We believe every young person deserves the chance to get on in life—no matter what.

Whatever the reason for their situation, we help them out. We work with their families and their communities wherever and whenever young people need us most. As young people become more positive, productive and independent, the whole community benefits.

Introduction

1. Catch22 welcomes the opportunity to respond to this important inquiry. Our response is based on our expertise in working with young people with complex needs across England and Wales. We welcome many of the proposals from the White Paper on Universal Credit such as greater flexibility in undertaking part time work and reducing complexity in the system. Our key concerns focus on the unintended consequences of the legislation impacting vulnerable young people. This includes increased digital exclusion, difficulties arising from conditionality and sanctions, and lack of support for young people to access work and volunteering.

Digital Divide and Access to Services

2. Catch22 understands the benefits of moving services online, for those that are digital natives it can increase ease and availability of access. Ensuring that access to Universal Credit is simple, secure, intuitive and attractive will support increase of use and reduce costs. However, for those who do not have access to the internet it could create further complications to the current welfare system and result in greater social exclusion.

3. One in five of the young people Catch22 works with has no access to the internet. Furthermore, Catch22’s Digital Divide report showed that a quarter of young people thought that moving government services online was a bad idea; that figure rose to a third among those who did not have a computer in the home.

4. An online banking approach to Universal Credit may be useful in simplifying benefit assessments and payments, and will allow people to report change in circumstance more easily. However, without access to the internet service improvement will be inconsistent, and people already experiencing social exclusion will be further disadvantaged.

5. The White Paper states that face-to-face services will remain only for those who really need it. We need assurance of how the assessment of “need” will be made to ensure that those with complex needs, who may respond better to personal meetings, are not overlooked. Services by telephone are a second option, however many young people we work with only have “pay as you go” mobiles which can run out of credit. Young people sensibly chose these phones to prevent overspending and debt that can result from a contract. Running out of credit may prevent young people contacting DWP at key times. We therefore recommend a system where people can text DWP and receive a call back.

6. Catch22 would like to see telephone and face-to-face services remain in place for young people who want this support and seek further clarity on the Government’s approach to providing this.

Case Study: Sam, Age 20

“My Life is made more difficult by not having access to the internet or a PC. It seems that everything now requires the internet; often other organisations tell me to look online to find information. This includes the Job Centre, Housing Benefit, choice based lettings, Sure Start, health information.

114 Catch22, Young People and the Digital divide, 2010
On occasions when I have not had enough phone credit to contact an agency by phone, they have suggested that I email them. If I can’t afford credit for my phone, what makes them think I can afford the internet?

I do not see how I will be able to save up to buy a PC in the foreseeable future as it is difficult to manage a home on benefits. I do want to better myself, but it is all a struggle.”

**Conditionality and Sanctions**

7. We support the principle of helping more young people into work and the simplification of the benefits system through a single working age benefit. However, we are concerned that some elements of conditionality associated with the Universal Credit will result in unintended consequences—pushing vulnerable people further away from work.

8. The introduction of a “claimant commitment” that requires people to report to their Jobcentre Plus centre more frequently or that expects young people to undertake Mandatory Work Activity may interfere with a volunteering or educational commitment that is in fact preparing young people for work. Volunteering enables young people to gain the experience, skills and aptitude for work as well as making a wider contribution. Catch22 runs intensive volunteering programmes (minimum 22 hours per week for 13 weeks) with young people who are not in education, employment or training. Our experience shows that this can contribute to preparing young people for work and should be recognised by Jobcentre Plus.

9. Some young people drop out of the volunteering programme with Catch22 because they get forced by Job Centre onto an “activity plan” that is usually just going into the centre and searching for jobs all day, when the volunteering course they were previously on would have given real experience. A young person we spoke to in a recent focus group asked “Why do my job centre advisors still not recognise my volunteering as beneficial and make me do work trials which are nothing to do with my career goals and interfere with my volunteering?”

10. Conditionality needs to be tailored to individuals’ personal circumstances and needs—for example taking account of young people with chaotic lives who are unable to meet more frequently because of complex and multiple problems. The White Paper states that “conditionality will be responsive to individual’s circumstances” but goes onto describe a very formal set of sanctions that appear to leave little room for a tailored approach. We are particularly concerned that some young people with complex and multiple needs do not meet any specific criteria or “threshold” for services but nonetheless have needs that make accessing work difficult. These young people must not be overlooked.

11. Financial sanctions could be a further reason young people are forced into debt, and in extreme cases left homeless. Increased financial pressure from penalties could exacerbate a complex situation. It is stated that there will be a safeguard for vulnerable people and ensure that mental health and substance misuse problems are taken into consideration. Catch22 is seeking further detail on what safeguards will be put in place and how these needs will be taken into consideration with regard to sanctions.

12. Catch22 is seeking further detail on what safeguards will be put in place for vulnerable groups and how these needs will be taken into consideration with regard to sanctions.

**Housing**

13. The possibility of Local Authorities directly making rent payments to landlords raises some concerns. Current reforms are intended to move people into work and independence. We believe that offering support to enhance independence, including budget management skills, will be more effective at enabling young people to manage their own money and learn how to be independent adults. Furthermore, it is likely to be increasingly frequent that young people have to make up rent shortfalls from other benefits as they are given less Housing Benefit than other groups. If this money is lifted directly from the persons account they could be left short of money that is allocated for other needs, leading to possible recurrent increasing debt. This financial burden would prevent a move away from state dependence.

**Child Care Costs**

14. The White Paper cites that changes to child care provision are still under review and that help with childcare will be focused on those in work. Catch22 recognises that this is an important time to highlight the need for child care support for parents in education. We welcome that for working parents in need of child care support it will be maintained, however we need to see provision in place for parents who are in education. Young people in education often financially struggle without needing to meet child care costs. We need assurance that those parents who are trying to move into independence by gaining qualifications to get into work will be recognised and supported.

**Passported Benefits**

15. Catch22 is apprehensive that if benefit dependant thresholds for passported benefits are removed a national disparity of entitlement could occur. Young people meeting their own prescription costs from benefits
Social Fund

16. Crisis loans are important for many Catch22 young people, they enable those in hardship to cope with unexpected expenses; if responsibility for these loans is devolved we are concerned this will be another area where young people could face a postcode lottery of support.

Age Brackets for Universal Credit

17. There are currently lower rates of support for young people. The Government are currently looking to simplify the rules under which lower rates of benefits apply to some but not all of those under the age of 25. Young people in need of financial support will not necessarily have a support network to fall back on. The financial circumstances and need of a young person are unlikely to be different to someone over 25. If many children’s services cut off at 18, why do over 18’s not receive the same benefits as someone over 25? Catch22’s current “Ready or Not” campaign seeks to the change the current approach to young adulthood and services for young people.

Written evidence submitted by Daycare Trust

Introduction

1. Daycare Trust, the national childcare charity, campaigns for quality, accessible, affordable childcare for all and raises the voices of children, parents and carers. We lead the national childcare campaign by producing high quality research, developing credible policy recommendations through publications and the media, and by working with others. Our advice and information on childcare issues assists parents and carers, providers, employers, trade unions and policymakers. Through our research and contact with parents we have been able to develop a comprehensive picture of the impact of the welfare system on families with young children, which we draw on in this submission.

2. Daycare Trust welcomes the opportunity to respond to the Select Committee’s inquiry into the Government’s Universal Credit White Paper.

3. We believe that the availability and affordability of childcare play a crucial role in supporting parents to work, and that childcare must be seen as essential component of welfare reform, not a niche area that can be dealt with separately. Currently, 488,000 families receive support for childcare through Tax Credits, 64% of whom are lone parents. They receive an average of £67 per week (£70 for lone parents, £67 for couples).

Principles of the Universal Credit

4. We welcome the White Paper’s focus on simplification and improving work incentives through ending very high marginal tax rates. Through our research with parents and the calls and emails we receive to our information service, we know that the complexity of the current system prevents many people from claiming the support to which they are entitled, and leads to errors and incorrect payments.

5. One of the Government’s biggest aspirations is to combine the benefits and Tax Credit systems, and in principle we support this proposal in respect of the delivery of support. However in its analysis the White Paper does not pay much attention to the role of Tax Credits, the specific problems with the current system, and how the different purposes and practical aspects of Tax Credits and benefits might be combined. We also believe that the different parts of the benefits system have very different purposes, and that the universal and contributory elements should continue to be available for people who may not be eligible for mean-tested benefits in the form of Tax Credits.

Problems with Current System

6. The Government’s reforms are based on two problems with the current welfare system; work incentives for some groups are poor and the system is too complex. Daycare Trust agrees that these are both major problems, which prevent parents from accessing the support they need. The Government rightly acknowledges that existing in-work support (in the form of Tax Credits) means that most people should get more income when they work, but that for many the gains are marginal and incentives are undermined by the complexity of the system.

7. The White Paper suggests that more than 600,000 people face a participation rate of more than 90%. We would suggest that for many parents it is much higher than this because of the need to pay for childcare when entering work. Since the Government is not proposing any models which would cover 100% of the cost of

http://catch-22.org.uk/Ready-or-Not-campaign
childcare, the challenge of reducing marginal participation rates is therefore even more challenging for parents of young children.

8. Other specific problems include:

- The Tax Credit system requires parents to calculate their average childcare costs—based on expected costs if they are claiming tax credits for the first time—and to report any changes to their income and childcare costs if the change is more than £10 per week and is expected to last more than four weeks. Most families experience changes to their childcare costs throughout the year, and it can be difficult to keep track of the changes. Whilst this four week limit would capture a change for the whole of the school holidays, some families may choose (or only be able to afford) to only use holiday childcare for part of the holidays. Reconciliation at the end of the year can leave parents out of pocket, or owed further payments. Moving to a more predictable and fixed system would be easier for parents to understand and manage, but would potentially be less responsive to individual needs.

- As the Tax Credit system is tailored to specific family circumstances, it is difficult for advisers to calculate how much a family will be entitled to. This makes it harder for parents to feel confident that they will be better off moving into work.

- We share the Government’s concern about the lack of incentive to enter work at less than 16 hours per week. For parents returning to work after having a child, starting at a smaller number of hours may be preferable. It may also be preferable for parents requiring a phased return to work after illness, for example.

- It is also inconsistent that the free entitlement to early education for three and four year olds is 15 hours (it increased from 12.5 hours in September 2010). A parent using only this free place, and not paying for additional hours, would not be able to work enough hours to be entitled to Tax Credits, especially if travel time needs to be factored in as well. Allowing for half an hour’s travelling to and from work each day, a parent would need childcare to be available for roughly 20 hours if they were to work for 16 hours. The free entitlement is therefore five hours short of parents’ needs. For this reason, and because of the proven benefits of high quality early years education, Daycare Trust proposes extending the free entitlement to 20 hours per week for all two to four year olds, and allowing it to be used more flexibly.

- One of the historical problems with Tax Credits has been overpayments, which meant that many families did not have confidence in the system. The package of changes introduced in 2005—including large disregards for income changes—improved the situation considerably. We are concerned about the change to the disregards announced in the emergency budget in June 2010, as this could make overpayments more likely again. The increase in the withdrawal rate from 39% to 41% also means that claimants lose their tax credits at a faster rate when their earnings increase, in contrast to the aspiration set out in this consultation.

- Parents are required to pay for at least 20% of their childcare costs (soon to be 30%), and through Daycare Trust’s research with parents we believe this is an additional deterrent to parents claiming the Childcare Tax Credit. Although it is argued that this prevents parents from choosing the most expensive childcare, it has also been suggested that this is intended to deter providers from putting their prices up knowing that the cost would be met from the public purse.

- A further failing of the system is that it does not work for larger families, since the maximum level of childcare costs that can be claimed for is £175 for the first child, and £300 for two or more children. There is evidence that children from larger families have poorer educational outcomes, so high quality early childhood education and care is particularly important for this group.

9. As well as the financial calculation about whether they will be better off in work, parents face significant practical barriers when moving into work because of the need to find appropriate childcare and very often to pay up-front costs such as a holding deposit and a month’s fees in advance.116

The White Paper Proposals on Childcare

10. Childcare costs are specifically covered in a short section on pages 21–22 of the White Paper. We welcome the Government’s clear statement that financial support with the cost of childcare is crucial for parents’ work incentives. It then goes on to set out a number of options for reform, and says that stakeholder views will be sought on how best to deliver the proposals.

11. Daycare Trust has had a number of meetings with Department for Work and Pensions officials and Ministers, in which we have discussed the options contained in the White Paper. Officials have offered further details on the options set out and there appears to be a genuine desire to engage and discuss the options.

12. However, we remain concerned that the overall level of funding available for childcare support is being reduced from April 2011, when the proportion of childcare costs that can be received through the childcare element of Working Tax Credit is reduced from 80 to 70%. This means a reduction in cash terms of up to £1,560 for families with two or more children, which does not include the impact of the other changes to tax

credits, such as the freeze in the basic and 30 hour elements of Working Tax Credit, the change in uprating from RPI to CPI, or the reduction in the taper from 39 to 41%. The real impact on families’ budgets will therefore be even greater.

13. Furthermore, the Government has announced its intention to extend childcare support for those working for fewer than 16 hours. We welcome this development as it encourages progression in the workplace by incentivising fewer hours of work. However we are concerned that without additional funding, this change will mean that existing funding is spread more thinly, and does not provide sufficient levels of support for parents to make realistic choices about work.

14. Daycare Trust has yet to make a final decision about the details of a revised system which we would wish to see, and are continuing discussions with DWP and others in the sector. However through discussions with others, we have established a number of principles which we believe the new system should embody:

(a) **Directly subsidised free, universal childcare provides the strongest work incentives**

Free childcare provides the clearest work incentives of all and prioritises child development goals above all else. Greater supply-side subsidies are needed to ensure high quality childcare is available for all, including out of school and holiday childcare, and is the best way to support highly qualified staff and a sustainable childcare industry.

(b) **In an ideal world, any demand-led childcare subsidy would be paid outside of any system of benefits and credits**

This would simplify the system, make sure people understand what they’re getting towards childcare costs, and could pay higher levels of funding for better quality, as has happened in New Zealand for example.

(c) **Any system chosen should promote/ stimulate high quality provision**

There is very strong evidence for the UK that early childhood education and care leads to improved outcomes for children and the effects are the most long lasting for children from disadvantaged backgrounds. However, only high quality childcare has this effect. Childcare quality is the worst in the most disadvantaged areas and there is also widespread market failure in these areas.

(d) **Clarity—claimants must know how much they are getting**

Claimants need to see support for childcare costs as separate to other in-work benefits, to know that they can afford their childcare and still have money for other living costs. It is essential that parents are able to understand the system, and that through simple tools are able to calculate how much they might be entitled to.

(e) **Simplicity—with fewer reporting requirements and the use of fixed-term payment periods explored**

Parents should have reduced requirements to report changes in income and childcare costs. One way to achieve this would be through the use of income bands as previously explored in the Treasury’s 2008 consultation. In previous consultations Daycare Trust has expressed its support for income bands, which we see as a “lighter touch” means-test which would substantially reduce the complexity of tax credits and introduce greater transparency on entitlement. There is some trade-off between the greater simplicity and certainty this offers versus the rough justice it would introduce for those at the edge of the income bands. Our judgement is that certainty is more important to parents. However, concern has rightly been expressed about those people who are moving in and out of low-paid work. Such a system could, however, incorporate protection for those whose circumstances change through voluntary reporting.

Another option suggested by Daycare Trust in our response to the Government’s previous consultation, and mentioned in the White Paper, is for a discount scheme. Under this proposal parents could receive a percentage discount voucher which they then present to their provider in order to receive a reduction in their childcare bill. Under the current system the Government calculates the percentage of childcare costs to which the parent is entitled (up to 80%), and converts this to a cash amount. Under this proposed system, they would not do this last step but would instead inform the parent of the percentage discount to which they were entitled, perhaps with an upper limit for the value of discount. The provider would then redeem this later from HMRC. This would mean that the provider would not need to know all the details about the family finances, but would ensure that they received the money that was intended for the cost of childcare. This could work well from parents’ perspectives, because if their childcare cost varied from week to week, they would get the same proportion discount each week. It could also create a mechanism for different people to receive a different level of support, for example depending on the age of the child or the type of childcare used. It could also be used to incentivise higher quality services, and could generally facilitate greater flexibility in the amount of payment received.

(f) **There must be clear work incentives and it should encourage progression in work**

Help with childcare costs must be at a level which makes work pay. It must also be delivered in a way which ensures people feel encouraged to enter work (i.e. they are confident in their childcare) and progression.
It should be paid to parents and not to providers
This makes the work incentives point clearest and encourages parents to take responsibility for their childcare choice. We have not seen any evidence that there are higher levels of fraud for the childcare element than for any other benefits, and parents would not be comfortable with their childcare provider having access to information about their financial circumstances. Furthermore as no system proposed would cover 100% of the cost, providers would still need to seek payment directly from parents, which would lead to complexity. We are also worried about the significant administrative burden that providers would face if they were to receive payments directly, as well as seeking payments from parents for the remainder of their bill. It is also unclear whether responsibility for paying back overpayments would become the responsibility of the provider.

It should be available both in and out of paid work
This ensures that the poorest and most disadvantaged children are not ruled out from receiving high quality experiences which could improve their outcomes because their parent is not in paid work.

Ensures stability for the child
The child needs to be settled in childcare before any job starts if it is going to be a success, and they should not be withdrawn from a childcare setting if the parent’s work pattern fluctuates. This means that there should be support available whilst looking for work and that there should be extensive run-ons when paid work ends.

Accurate and quick decision-making
Parents need confidence in the system and accurate decision-making is essential.

Expandable as the economy improves
Even though the Government is designing a new system for a fixed amount of funding, the new system should have the potential to be scaled up when additional funding is available. This could be done by increasing the proportion of costs that are covered, changing the taper or making other changes to the qualification requirements which allow more parents to receive support.

Making Payments
15. The Government wishes to improve the responsiveness of the system through the use of smart automation. Making benefits more responsive to actual income will improve the accuracy of payments, and reduce the possibility of overpayments, which caused so many problems with the Tax Credit system. The problems with the Childcare Element of the Working Tax Credit relate to the need to use past income and past childcare costs (averaged over a year). This is complicated for parents to understand, and can lead to over and underpayments. We therefore welcome the idea of using real-time income information. However, further consideration needs to be given as to how up-to-date information about childcare costs can be gathered most effectively.

16. The most crucial test that must be applied is whether parents can trust the system. Certainty of income is one of the most important considerations, and any technical or communications failure could have dire consequences for people relying on benefits.

Conditionality
17. The Government has already stated its intention to require lone parents to actively look for work when their child is five. When the previous Government instituted previous welfare reforms and reduced the age to seven, Daycare Trust, along with other organisations, successfully argued for exemptions so that lone parents could restrict their job search to jobs within school hours or for which they could find appropriate childcare. We understand that this exemption will remain when the age is reduced to five, which is to be welcomed, but this must be accompanied by greater efforts to improve the availability of out-of-school childcare for primary school children, which remains an underdeveloped area, and is at risk of budget cuts from local authorities. It is already very hard for parents to find reliable, high quality wraparound childcare, and even more difficult for parents of disabled children.

18. We would also welcome clarification on how the lone parent exemptions mentioned above will interact with the proposal to reduce Housing Benefit by 10% if someone is claiming Jobseeker’s Allowance for more than 12 months. We believe that given that lone parents have been given this essential and legitimate exemption because of a lack of suitable childcare outside of school hours, they should not be punished for taking longer to find a job.

19. We would also welcome clarification about whether childcare will be provided for claimants required to undertake mandatory work activity, as this is not mentioned in the White Paper yet would be essential for any job seeker with childcare responsibilities.
20. In conclusion, we welcome the principles behind the Universal Credit, and the Government’s recognition that childcare costs are a key determinant of work incentives. We have set out a number of principles which we believe should underpin the new system, and look forward to working with the Committee and the Department for Work and Pensions in the coming weeks to ensure that the new system is transparent, simple and clearly understandable to parents.

December 2010

Written evidence submitted by Carl Lamb

1.0 SUMMARY

1.1 The briefing below looks at the localism with the proposed Universal Credit System and poses the question: Should Housing Benefit remain a local benefit or can Local Authorities play a greater role in the administration of Universal Credits?

2.0 A GREATER ROLE FOR LOCAL AUTHORITIES?

2.1 While I fully applaud the objectives of the new Universal Credit, why is it being administered by Central Government? Removing Housing Benefit from local authority control and centralising it within DWP goes completely in the face of localism. Why can’t councils process Universal Credit? Councils are best placed to understand local needs, local people and deliver local services that customer’s value. They have demonstrated over the last five years that they are actually very good at processing benefit claims (just compare their performance with DWP and HMRC) as well as delivering customer focused services based on true consultation with customers and stakeholders.

2.2 There is also the argument that Housing Benefit is in fact a local benefit and should remain as such. Taking away the link between local housing costs and the amount of housing benefit is misguided. This will only lead to further homelessness and less confidence in the system form landlords, withdrawing from the HB market. Also what happens to direct payments to landlords under a new system? How does this fit with Universal credits?

2.3 Local authorities have worked very hard to improve links with landlords, social providers, tenants etc and developed local policies around landlord accreditation, homelessness strategies and joined up services with third sector partners (For example our council has staff based at the three major social landlords within the area to process claims when tenants first sign up for their tenancy). Housing benefit plays a major part in these very local issues.

2.4 Many councils are streets ahead of DWP in terms of innovation and delivering tailored service. My Council already take new benefit applications over the web. These are then integrated with back office systems, saving significant time and money. They also offer tailored services for different segments of society. For example, a face to face appointment service is available for customers to have their claim processed there and then. This eliminates waste through repeat contact and ensures claims are processed the same day, giving landlords confidence and preventing hardship and eviction. A similar service is delivered via visitors for people that are vulnerable, taking away barriers to claiming benefit.

2.5 I believe that localisation of Universal credit would have been the truly radical and progressive option and only fear that we will end up with a remote, less accountable and highly rigid “one size fits all” service. Just look at the lack of innovation and the lack of local discretion available within the Pension Service and Jobcentre Plus.

2.6 I guess the main question is how does Universal Credit fit into the Localism Bill and the DWP business plan which clearly states “it will not hold onto power ineffectively and will seek to devolve power to local communities where appropriate?”

December 2010

Written evidence submitted by London Borough of Camden

SUMMARY

1. This response is prepared on behalf of the welfare rights team in the Integrated Early Years Service of the London Borough of Camden’s Children Schools and Families department. We currently support families with children under five or expecting a child, families with disabled children, and families who are working or moving into employment or training. We advise many low income working families and have tried to consider the proposals for Universal Credit bearing in mind the experiences of the current system that these families have.
2. We are concerned that despite the rapid pace that reform seems to be taking place, there is still very little detail about the system. The Universal Credit white paper seems to pose more questions than it answers and we feel that more detail should be provided and consulted on before any decisions are made about Universal Credit. We would be concerned to see decisions being taken quickly that may have inadvertent and unexpected policy implications.

3. Below we have attempted to highlight some of the concerns we have about the proposals that have been included in the white paper and raise some questions that we feel should be addressed.

**CORE MODEL**

4. We think it is important that the current system of applicable amounts including premiums for disabled adults and children are maintained in the new system and not reduced. It would be unfair if the reforms of Universal Credit, designed to help people into work, ended up reducing premiums and therefore benefit entitlement for people with disabilities both in-work and out of work.

5. The system of differential disregards which depend on housing costs may perversely make the system more complex and harder to negotiate for many people than the current system. Currently, many working people on low incomes who receive both tax credits and housing benefits find that their tax credits are easier to understand and predict than their housing benefit. This is because awards are for a fixed period so people know what their payments will be, and know simply that if their income is below a certain figure, they will get their full entitlement, and entitlement will reduce if income rises above that figure. Under Universal Credit, it may be harder for people to know how their changing income will affect their entitlement, particularly given the varying disregards, despite the single taper. Especially for people with varying incomes, such as shift workers and agency workers, it will become harder to predict not only what their earnings would be but also what their Universal Credit payments would be.

6. People would also find it difficult to manage their household budgets with the UC. With the present system families may be getting separate payments for help with their rent, separate payments for their children and separate payments for themselves. In a lot of cases the money for their children may be going into a completely separate account or in the cases of couples one partner may be receiving the money for the children and another partner may be getting the Working Tax Credit or the money for themselves. This allows them to clearly allocate money for each household cost and it is much less confusing.

7. For some couples the current system may also ensure that one partner does not have full control and domination over the household income while the other partner struggles. We get a lot of cases where this happens (usually it is the mother who is left struggling to cope financially while the male partner has full control over the household income but is not willing to use the money to pay for important household costs). With the UC system there is a danger that this sort of financial abuse within couples will increase.

**Childcare Payments**

8. The current system of childcare support in tax credits is too complicated and creates many problems for clients, particularly the need to work out an annual average and the requirements to report change in this annual average. Linking childcare support to a shorter frequency of payments is a good opportunity to simplify the system and reduce uncertainty, overpayments, underpayments, fraud and error. We also welcome the proposal to offer some childcare funding to families working under 16 hours per week as childcare is one of the chief barriers to doing low hours of employment currently.

9. However we are concerned by any consideration of a less generous provision than is currently available. Many families are already struggling with high childcare costs. Most childcare is extremely expensive and this is exacerbated in areas with high demand, including Inner London, and is also set to increase as further grants and subsidies are removed from childcare support through local authorities in the near future. The current rates already do not fully cover the true cost of childcare particularly when parents are claiming for very young children and when there are more than two children being claimed for. Many of the parents we have worked with have actually been dissuaded from returning to work by the cost of childcare within the caps and could not afford to make up the shortfalls. Others have returned to work and faced shortfalls but have decided to struggle through despite being in severe hardship. Others have decided to work part time rather than full time because the daily rates of their childcare were only affordable where they limited their hours of employment. There are also many parents or carers of disabled children who would like to do some paid work but require specialist childcare which is even more expensive than normal. These are families who really should be being supported as much as possible given the Government’s goals of rewarding those who do as much work as they can. We believe that the childcare support system should be strengthened, not restricted if the Government is to achieve its goals.

— The decision to cut childcare support from 80% to 70% from April 2011 will already adversely affect many working families and is already affecting some of our clients’ decisions about returning to work and about their levels of hours. We believe that this restriction should be reversed under Universal Credit.
— We would suggest increasing the weekly caps above current levels, for some groups such as parents with very young or disabled children or more than two children, in order to increase the amount of parents who can gain financially by returning to work.

— We feel that an element added on to basic Universal credit entitlement—in a manner similar to the current childcare element—would be better targeted than discount vouchers or additional earnings disregards. Putting it in a form of a disregard may mean little financial benefit for low income workers whose income is not high enough to benefit from the disregards and the tapers. Discount vouchers may be hard to claim and may leave many people still unable to afford the portion of their childcare that they are expected to pay.

— We are concerned that many middle income families who currently receive childcare support may lose out on the new system. Because of the higher taper compared with families who currently receive tax credits only but no housing benefits, perhaps because their income is high and their housing costs are low, this support is likely to be withdrawn on the new system from those families, despite many of them facing huge childcare costs in order to work and relying on the current system to support them into work.

**Self-employment**

10. We are concerned about the announcement that a “floor of assumed income” is being considered for self-employed earners getting Universal Credit. In fact in general self-employed earners do not seem to have received much consideration in Universal Credit as much talk is made of linking payments to evidence of real time PAYE earnings. Self-employed earners on low incomes could get a raw deal on Universal Credit, as variable earnings and difficulty declaring earnings until the end of the financial year (on completion of accounts) could cause a problematic interaction with Universal Credit and a less sustainable system of support than is currently available on tax credits. Many self-employed people go through phases with lower and higher incomes and the “floor of assumed income” could work against many people, removing a vital element of support at a time of loss of income. Likewise conditionality for self-employed earners could pose difficulties as self-employment often takes many hours of effort for little remunerative reward, offering little time and energy for people to correctly comply with a conditionality regime. The combined effect of these features could put many people off becoming self-employed under the Universal Credit system, or could put people off remaining self-employed, even if there is the possibility their business could pick up in the future, leading to increased earnings and reduced reliance on Universal Credit.

11. This is at a time when many people are becoming self-employed and in a climate with limited job opportunities many people are choosing to set up their own businesses and attempt entrepreneurship for the first time. Many of our clients have been unemployed for many years and make a difficult, stressful decision to set up their own business. It may take a considerable amount of time for the business to develop, but is often a route off benefits and into sustained economic activity that works very well for those people. The proposals about self-employed earners under Universal Credit cause us considerable concern that there may be less help available for such groups.

**Conditionality**

12. We are very concerned about increased conditionality under Universal Credit. Research has shown that conditionality has limited impact in comparison with the impact of support for claimants to find work and to overcome barriers to work. Most of the people that we work with are keen to come off benefits and into work and for most of them, the reason that they do not work is because of barriers such as low skills and confidence, lack of availability of jobs, lack of flexible working arrangements and lack of appropriate childcare. It would be more productive to focus on removing those barriers, both with claimants and employers, than bringing additional conditionality which claimants must comply with at extra expense both to claimants and to the taxpayer. Further, loss of additional income through sanctions at a time of long-term unemployment is likely to push claimants further still from the labour market, as a 2010 report has shown that poverty, debt, and financial worries act as a strong barrier and disincentive to take up employment (“Out of work and out of money,” Manchester City Council, May 2010).

13. We are particularly concerned about the possibility of conditionality being extended to people who are already working to increase their hours and earnings. It would be very hard for many people to comply with this if they are already working; particularly claimants who may already be struggling to juggle work and childcare commitments. Putting such people at risk of non-compliance and sanctions would put undue additional pressures on people and may make it harder for people to remain in work. The risk of loss of benefits once people are working could also act as a work disincentive, increasing peoples’ concerns about the insecurity of their financial support once they are in work, and therefore going against the aspirations of this reform. We would strongly oppose any extension of conditionality to claimant groups not already covered.

**Delivering Universal Credit**

14. We note that the proposal is for Universal Credit to be paid monthly, in line with earnings, in order to encourage “personal responsibility.” For many of our clients, having tax credits paid weekly is a real help when their incomes are being supplemented by tax credits, because earnings are normally paid monthly. Having
some income that comes in every week helps them to budget and manage their outgoings in order to avoid falling into arrears. People may fall into problems if there is no option for Universal Credit to be paid weekly, as they may be waiting long periods of time for both Universal Credit and their own earnings. This is not about “personal responsibility” but an acknowledgment that outgoings need to be made at varying dates and often cannot be changed. Many of our clients are used to living on a low income and are adept at budgeting carefully and planning their income and outgoings, however, they still rely on having weekly payments to ensure that they remain on top of everything.

15. We hope that having automatic payments made through the PAYE system will ensure more accurate awards. However, we are concerned that there is some scope for error within this system and believe that it is vital that there are sufficient support services within Universal Credit that can be easily accessed by claimants in case there are problems, and also that there are advice services available—both within the DWP and independently—for claimants to check if their awards are correct.

16. We are concerned that many of our clients would struggle to access online channels and believe that it is important that other routes, such as telephone and face-to-face access, remain available for anyone who needs it. Having less support services available and contact points for claimants may make savings in the short term but is more likely to lead to fraud, error, and other costly mistakes in the long term as claimants need to be have easy access to talk to advisers about their claims.

TREATMENT OF EARNINGS AND INCOME

17. It is unclear from the report how support with council tax would be factored into the system. The report suggests that help support with council tax could be fully under the discretion and control of local authorities and therefore outside of the scope of Universal Credit. If this is the case, we believe that the comparison between Universal Credit and the current system is not an accurate comparison. The current marginal deduction rates include loss of council tax benefit; yet if help with council tax is not included in Universal Credit, then the loss of support with council tax is not being included in the 65% taper proposed for Universal Credit. We would like to see clarification about this. If it is the case that loss of support with council tax is outside this scope, we would like to see research done to show how loss of support with council tax would affect the new marginal deduction rates under Universal credit.

INCOME AND CAPITAL RULES

18. We are concerned that the current provision under tax credits to ignore capital, and count only the income from interest from capital, will be lost under UC. This is a hidden change in which a specific group of claimants could substantially lose out, namely those who hold certain savings but are currently still entitled to claim tax credits to top up their income. A family with combined capital of £17,000 (which will return hardly any income with current interest rates) can currently claim tax credits if they have low earnings, although they cannot claim any means-tested benefits. Under the new system they will not be able to claim any support. This will act as a disincentive for people to save money.

FAMILY ASSESSMENT

19. We believe that it is important that not all the payments to a couple go to the same claimant. Under tax credits currently, working tax credit goes to the main worker and child tax credit goes to the main carer. This makes sense and also makes it clearer for families to understand what money they are getting and why. However, it also removes scope for financial abuse in relationships, which can easily occur when all payments are made to one member of a couple. In some cases where there is domestic violence, making all the payments to one member of the couple could have the effect of trapping the victim in that relationship, exacerbating the problems.

ADDITIONAL PAYMENTS HELPING PEOPLE INTO WORK

20. We believe that payments such as the job grant and in-work credit should be retained under Universal Credit. Parents moving into work often find the initial period difficult as they adjust to higher costs, different daily patterns and changes to their weekly budgeting. They find that being given extra support for the first year in work greatly eases this process and makes it far easier for them to make the decision to move into work, and remain there once they have started working. The introduction of Universal Credit will not take away the need for this additional support, or the fact that this additional support is vital for helping people into work and remaining in work, and should therefore be retained.

December 2010
1. ABOUT CARERS UK

1.1 Carers UK represents the views and interests of the six million people in the UK who care for their frail, disabled or ill family member, friend or partner. Carers give so much to society yet as a consequence of caring; they experience ill health, poverty and discrimination. Carers UK seeks to end this injustice and will continue to campaign until the true value of carers’ contribution to society is recognised and carers receive the practical, financial and emotional support they need.

1.2 Carers UK is an organisation of carers, run by carers, for carers, with a reach of around 1,500 organisations, including many run by carers, who are in touch with around 950,000 carers between them. Including Carers Week our reach extends to around 4,000 groups and 2.5 million carers.

1.3 Carers UK runs an information and advice service and we answer around 16,000 queries from carers and professionals every year. We also provide training to over 2,600 professionals each year. Our website is viewed by nearly 300,000 unique visitors and nearly 5,000 carers are registered members of our website forum.

1.4 Carers UK has offices in Wales, Scotland and Northern Ireland. This response reflects the views of the organisation, UK-wide.

2. SUMMARY AND CONTEXT OF REFORM

2.1 Carers UK welcomes the opportunity of submitting evidence to the Work and Pensions Select Committee on the Universal Credit.

2.2 Carers UK welcomed the principles of the Government’s reform proposals outlined in the paper 21st Century Welfare, particularly benefit simplification, making work pay and reducing worklessness which have long been key campaign issues for the carers movement. However we expressed deep reservations around what the Government’s consideration of means-testing, conditionality and cuts elsewhere within the welfare system would mean for carers.

2.3 We are opposed to any moves to introduce a means-test for carers’ benefits—a change which would set carers’ rights back to the 1970s.

2.4 We welcome the fact that the White Paper makes it clear that there will be no “back to work” conditionality for carers. Carers UK has always strongly opposed any moves to mandate carers to seek work alongside caring. Evidence from existing conditionality (for lone parent carers and carers with disabilities) shows that this would risk undermining family care; causing stress and additional costs for carers and the people they care for; increasing bureaucracy and incurring additional costs to the state, whilst failing to improve the employment prospects of carers, or reducing the welfare bill.

2.5 Carers UK has strongly criticised many of the changes to welfare outlined in the Emergency Budget in June and the Comprehensive Spending Review. Families are increasingly fearful about the impact of new measures including:

— £1 billion in cuts to the Disability Living Allowance (DLA) budget through the introduction of a new test for all existing and future claimants.
— The removal of the mobility component of DLA for those in residential care, funded by their local authorities.
— Time-limiting contributory Employment and Support Allowance (ESA).
— Including Carer’s Allowance in the proposed household benefits cap.
— Moving from retail to consumer prices to uprate benefits, including Carer’s Allowance.
— The increase in VAT, which we are concerned will have a disproportionate impact upon carers’ expenditure.\footnote{The additional costs of disability mean that families often end up spending more on a range of VAT rated products like cleaning materials, detergents, continence pads, bed clothes and bandages.}
— The closure of the Independent Living Fund.
— Measures to control the cost of mortgage interest relief, Tax Credits, Housing Benefit and Council Tax Benefit.

Carers UK is deeply concerned that this package of measures risks having a devastating impact on families affected by illness or disability and does not accept that these reductions are acceptable trade-offs to pay for welfare reform, or a fair way of implementing public spending cuts.

2.6 In the White Paper, the Government has set out to tackle some of the perennial problems in welfare, on which reform has previously proved too difficult. Carers have been told by successive Government that Carer’s Allowance cannot be reformed in exclusion and that changes could only take place in the context of wider welfare reform. Carers UK appreciates that there are real challenges in reforming Carer’s Allowance, given its unique position within the benefits system. However, with a rapidly ageing population, and the number of...
carers expected to increase to over nine million in the next twenty years.\textsuperscript{118} Carers UK believes that, particularly alongside plans to reform the care and support system, it is vital that this opportunity is not missed to reform an outdated and unsuitable benefit.

3. SUMMARY OF CARERS UK RESPONSE TO THE DEPARTMENT FOR WORK AND PENSIONS ON Universal Credit: Welfare that works

3.1 The case for reforming carers’ benefits is clear, and we welcome the Government’s acknowledgement of the inadequacy and unsuitability of Carer’s Allowance in the White Paper.

3.2 Although Carers UK has consistently argued for radical reform of Carer’s Allowance, we strongly oppose Carer’s Allowance being drawn into the Universal Credit and therefore becoming means-tested.

3.3 However Carers UK believes that moving carers in receipt of the carer premium of means-tested benefits onto the Universal Credit may be of benefit. However, the full impact is difficult to model until details are published on the levels, thresholds and treatment of household income which will apply to recipients of Universal Credit.

3.4 Carers UK has urged the Government to assess which positive elements of the White Paper could be applied to Carer’s Allowance outside the Universal Credit, including benefit simplification and improvements to carers’ ability to juggle caring with work or study.

4. THE IMPLICATIONS OF THE CURRENT PROPOSALS FOR CARERS

4.1 The Government has not yet decided the future of Carer’s Allowance and the White Paper states that it is “carefully considering whether changes to Carer’s Allowance will be necessary to take account of the introduction of Universal Credit and provide clearer, more effective support for carers.”

4.2 As it stands, the White Paper’s proposals would mean Carer’s Allowance being kept as a separate benefit. Of the approximately 500,000 carers of working age currently in receipt of Carer’s Allowance:

(a) Approximately half (255,000) would transfer onto the new Universal Credit because they are in receipt of the carer premium which is paid as part of means tested benefits (like Jobseeker’s Allowance or Income Support).

(b) The remainder of carers, around 245,000 working age carers, would then remain on Carer’s Allowance as it stands.

4.3 Without details of the levels of the Universal Credit basic personal amount and additional amounts (for disability, caring responsibilities, housing costs and children), it is not possible to fully assess the impact of these changes on carers in group (a). However the Government has indicated that recipients will not be made worse-off on the Universal Credit. If this is the case, Carers UK would welcome this change for carers in group a). Carers within this group who are able to engage in paid employment alongside caring may be better off as a result of being able to keep more of their earnings than they are at present.

4.4 Crucially, the Government has also said that they will also remove carers in this group from any conditionality i.e. any requirement to seek work. Carers UK has warmly welcomed this recognition that the extent of many caring responsibilities means that juggling work with care is impossible for many carers. This exemption for carers is particularly important given the harsh sanctions that will be applied under the Universal Credit.

4.5 However, Carers UK has urged the Government to provide better training to ensure that DWP frontline staff understand caring, identify Universal Credit applicants/recipients with caring responsibilities and do not apply conditionality to any carer—regardless of whether they are a single person, lone parent, a carer who themselves has a disability, or one of a couple. It is critical that the exemption for carers is effectively implemented to ensure that carers are not caught up in aggressive new sanctions which would risk carers benefits being removed, or carers struggling to find replacement care as they attend work-focussed interviews.

4.6 Carers UK also welcomes the Government’s pledge that carers who were receiving Carer Premium and who are transferred to the Universal Credit, will receive protection for their pensions.

4.7 However, carers feel very strongly that they need much more clarity from Government and assurances that Carer’s Allowance will not be drawn into Universal Credit. At our recent Carers Summit meeting involving around 600 carers in the room, online or contacting us in advance, concern about welfare reform was at the forefront of carers’ minds. Unlike in previous years when carers brought up a wide range of topics, two subjects dominated all questions: welfare reform and cuts to social care. Carers UK receives calls, emails and letters from carers every day concerned about the future of Carer’s Allowance.

5. OUTSTANDING QUESTIONS ON EXISTING PROPOSALS

5.1 What tests will be used to identify carers in the new Universal Credit system? It is very concerning that Figure 10 on page 36 of the White Paper does not set out a route for indentifying carers alongside other

\textsuperscript{118} Facts about carers (2009) Carers UK.
relevant circumstances (ie, illness, loss of employment etc). We believe that this is a key issue that needs to be addressed in the new system.

5.2 Given that the Universal Credit scheme will apply to Great Britain, what are the plans for Northern Ireland?

5.3 Alongside the Universal Credit, what are the Government’s plans to ensure that disabled people and carers get support from local authorities and the NHS to improve their capacity to engage in paid work? Carers and disabled people who want to work, continue to be unable to do so because of a real lack of care and support to enable them to do so. In particular many carers from BAME communities struggle to find culturally appropriate replacement care services to enable them to juggle work and care, compounding their exclusion from the workforce.

5.4 What happens to carers in receipt of the Universal Credit when they reach retirement age? Carers UK hopes that there may be scope for introducing measures to ease carers’ transition to Pension Credit.

6. THE CASE FOR REFORM OF CARERS’ BENEFITS

6.1 The case for reform is clear, and many of the core principles of this reform package reflect some of the key problems with Carer’s Allowance: particularly the need for carers who are able to combine paid work and caring to be “consistently and transparently better off for each hour they work and every pound they earn”, the importance of the benefits system being a “ladder of opportunity to those who have previously been excluded or marginalised from the world of work” and the resultant benefits work can bring to health and wellbeing and reductions in poverty which could, as the White Paper states “enhance [carers’] own lives and the lives for those for whom they care”.

6.2 The current cliff-edge earnings limit is a significant disincentive to carers taking on paid work alongside caring, and to carers increasing working hours if they are already juggling work and care. Rules which leave carers worse-off if they increase working hours, as a result of the 100% withdrawal of Carer’s Allowance are entirely contrary to these principles of the White Paper, and are a source of deep frustration amongst carers.

6.3 The National Carers Strategy, recently refreshed by the Government, sets the vision that, by 2018, carers will not be forced into financial hardship as a result of caring. The White Paper acknowledges that Carer’s Allowance as it stands cannot achieve that vision, as it “fail[s] to meet the different needs of carers… [and is not] effective in poverty prevention.” We welcome this strong statement from the Government, which is borne out by Carers UK’s research which, in 2008, showed that nearly three quarters of carers were struggling to pay essential utility bills.

6.4 In addition, as stated in our response to 21st Century Welfare, other problems, including the 21 hour study rule, the complexity of the benefit and the application processes prevent carers from claiming or receiving the benefit and further reinforce the need for urgent reform.

6.5 Reports from the Public Accounts Committee, the Work and Pensions Select Committee and evidence from Carers UK’s own research set out problems caused to carers by the complexity of carers’ benefits. This complexity causes stress and confusion which, in turn, damages carers’ health and discourages them from claiming their entitlements. In particular, already marginalised communities, like Black Asian and Minority Ethnic carers, struggle with the current system and are less likely to be in receipt of essential support. Research by Carers Week showed that 74% of carers providing round the clock care had reached breaking point. The greatest contributing factor (41%) was a frustration with bureaucracy.

6.6 Carers UK research into carers’ recognition of their own entitlements showed that a third of carers miss out on financial support and 58% of those had missed out for over three years. It is clear from both Carers UK’s research and evidence from our Adviceline, that one of the major barriers to carers claiming their entitlements is the complexity of the system alongside a lack of advice and information from professionals who support families—contributing to the estimated £840 million in Carer’s Allowance going unclaimed each year.

7. ENSURING CARER’S ALLOWANCE REMAINS OUTSIDE THE UNIVERSAL CREDIT

7.1 As set out above, many of the principles of this reform package can be a guide to reforming carers’ benefits. However, as we have made clear to Ministers and officials, Carers UK is strongly opposed to carers’ benefits drawn into means-testing through the replacement of Carer’s Allowance with the Universal Credit. We believe that such a move would be deeply regressive, would set back gender equality and undermine family care.

7.2 The right to independent financial support was hard-won by carers. The carers movement and Carers UK’s predecessor organisations, were started by the Reverend Mary Webster, a carer who found herself forced...
to give up work to care for her elderly parents, but found herself with no independent income and financially dependent on her parents. In 1963 she started the campaign which founded Carers UK and she and other carers fought for support from the welfare system in their own right, to prevent supporting ill or disabled relatives from pitching carers into financial dependency on partners, other family members or the disability benefits of the person they care for. The introduction of a carers’ benefit, when the majority of carers were women caring for elderly parents, was also a watershed moment in women’s rights.

7.3 Carers UK believes that the introduction of a means-test, stripping large numbers of Carer’s Allowance recipients (the vast majority of whom are women) of the right to an independent financial income, would be a return to long out-dated gender roles of caring and would return many carers, particularly women, to the “pattern of dependency” described in 1964 by the National Council for the Single Woman and her Dependants.124

7.4 We also believe that introducing a means-test could render family care financially untenable for some families. We know that 1 in 6 carers125 have given up work or reduced working hours to care for ill or disabled relatives, many claim Carer’s Allowance as a result. Evidence from Carers UK’s Adviseline is that carers use Carer’s Allowance to pay basic bills. In households already coping with what may be the loss of one full time wage, along with the additional costs of illness or disability, the removal of £2,800 of income provided by Carer’s Allowance may push precarious financial situations to breaking point. When faced with giving up work and having no income of their own, carers may decide they could not take on caring responsibilities in the first place, whilst others may be forced to stop caring to return to work. Any significant drop in the number of families able to provide care would have an enormous impact on health and social care budgets as well as causing huge distress for the families affected.

7.5 Such an undermining of family care, and the withdrawal of the Government’s recognition of carers’ contribution would seem contrary to values which are central to this Government’s agenda—strong families, civic contribution and social responsibility. The White Paper states that carers “provide an invaluable service to some of the most vulnerable people in our communities.” This echoes comments made by both the Prime Minister and the Deputy Prime Minister who, during the pre-election debates, expressed their high regard and gratitude for the contribution made by carers to our society and our economy, which Carers UK has estimated to be over £87 billion each year.

7.6 If Carer’s Allowance were subsumed into the Universal Credit and therefore means-tested, not only would carers above the means-test threshold lose their current incomes, but also the crucial State Pensions rights Carer’s Allowance provides through National Insurance (NI) credits.

7.7 Although these NI could be obtained through the Carer’s Credit, introduced in April 2010, extremely low takeup of the Credit among the existing eligible group demonstrates the difficulties of:

— Encouraging individuals to take action to solve a problem they may not be aware of—given the general lack of understanding of the contributory aspect of the basic State Pension.

— Getting carers to take time to think about pensions planning, given that many are already struggling to cope with the pressures of caring and the bureaucracy of the social care and disability benefits systems.

— Convincing individuals to prioritise making a claim for a benefit which provides no immediate financial gain.

7.8 Carers UK therefore has deep concerns that some carers would face a double penalty as a result of the means-test—risking a lower basic State Pension in retirement, on top of losing the independent income of Carer’s Allowance in the immediate term.

8. Key Area of Reform for Carers’ Benefits Outside the Universal Credit

8.1 There are several important areas in which Carer’s Allowance could be reformed outside the Universal Credit, but in line with the principles of the White Paper to simplify the benefits system for carers and improve access to work and education. Many of these have already been raised by the Work and Pensions Select Committee in the last Parliament—recommendations which have been warmly welcomed by Carers UK. We would recommend that the Select Committee reconsiders these recommendations and makes several proposals to the Department about reforming Carer’s Allowance.

8.2 The level of Carer’s Allowance: In 2008, a survey of over 1,700 carers showed that 74% of carers were struggling to pay basic utility bills, 54% had fallen into debt as a result of caring and over half were cutting back on food and heating to make ends meet.126 The White Paper acknowledges that Carer’s Allowance is not effective in poverty prevention and Carers UK believes that this opportunity for reform must be taken to deliver on the National Carers Strategy pledge to ensure that no carer is forced into financial hardship as a result of their caring responsibilities. Alongside raising the level of Carer’s Allowance, other changes around introducing an earnings taper and permitting carers to study alongside caring could do much to improve carers’ incomes.

125 One million give up work to care (2009) Carers UK and Ipsos MORI.
8.3 Whilst the White Paper states that raising Carer’s Allowance is neither affordable nor cost effective, Carers UK has deep concerns that the package of welfare cuts outlined in point 2.4 risk having a devastating impact on the finances of families who provide care, many of whom are already struggling to make ends meet. If caring for ill or disabled friends or family members becomes financially untenable for carers, who feel forced to return to work there will be inevitable financial consequences for public services as local authorities and NHS services are required to provide replacement care.

8.4 As a result, Carers UK believes there is a significant case for increasing the level of Carer’s Allowance to ensure that caring is financially sustainable for families and to properly recognise the contribution made by carers. Several models for reform have already been proposed, including a two-tier benefit set out by the Work and Pensions Select Committee.\footnote{Valuing and Supporting Carers (2008) Work and Pensions Select Committee.}

8.5 Earnings Tapers: as described in point 6.2, the existing cliff-edge earnings limit of £100 is a significant barrier to carers engaging in paid work, increasing working hours or accepting pay increases. It also causes complications for carers with fluctuating incomes (term-time working or when caring for someone with a variable condition, for example). The result of this is that carers are often required to repeatedly reapply for benefits when temporary periods of work come to an end, incurring unnecessary administrative burdens for carers and costs to DWP.

8.6 One of the key features of the Universal Credit is its smoothing of the path from welfare to work by delivering a single taper—ensuring that individuals are both certain that work will pay, and clear how much of their benefit they lose as they begin to earn.

8.7 As Figure 1 illustrates, the path for carers who earn alongside receiving Carer’s Allowance is far from smooth, and there is a strong case for implementing an earnings taper for the Carer’s Allowance. However, as we have already mentioned, to take Carer’s Allowance into the Universal Credit to try to achieve this for a small number of carers would be a regressive step as it would means-test others.

8.8 In 2008 the Work and Pensions Select Committee completed an inquiry into Carer’s Allowance. Evidence from carers organisations and, crucially, employers indicated that the existing earnings limit “represents a major barrier for carers to combine work and care, and/or progress in employment”. The Committee’s report, Valuing and Supporting Carers recommended that the Department “urgently commissions and publishes a thorough analysis of the costs and benefits of increasing the earnings limit and introducing a taper.”

8.9 There would be clear advantages to carers being able to access the systems described by the White Paper which would allow their benefit to be “calculated and delivered electronically, automatically adjusting credit payments according to monthly income reported through an upgraded version of Pay As You Earn tax system,” it be possible for this to be implemented from outside the Universal Credit system. However even a more standard taper would do much to improve carers capacity to juggle work and care, to maintain their careers, reduce the chances of financial hardship and, as the White Paper describes, “enhance their own lives and the lives for those for whom they care.”

8.10 The 21 hour study rule: the existing rules for Carer’s Allowance mean that carers are also unable to combine studying for 21 hours a week or more with claiming Carer’s Allowance.

\begin{figure}
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\includegraphics[width=\textwidth]{cliff_edge_graph}
\caption{ILLUSTRATION OF THE CLIFF EDGE AS NET EARNINGS RISE}
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Figures from submission to the National Carers Strategy: Income Task Force (2007)
8.11 DWP guidance indicates that the definition of 21 hours is flexible, can extend far beyond “contact time” of lectures and seminars to “any involvement in … [an] exercise, experiment of project” and is broadly applied to any course that is termed “full-time” by an educational institution. Carers UK’s Adviceline has heard from a carer whose Carer’s Allowance has been removed on the basis of studying a course termed “full-time” by a college, but which amounts to only 14 hours of study a week. This acts to exclude carers from a wide variety of courses which could fit alongside caring responsibilities.

8.12 In addition to preventing carers from maintaining or developing skills, this rule also acts as a particular bar to:

- disabled carers participating fully in public life;
- carers from BAME communities who are both more likely to have caring responsibilities and less likely to have access to full-time education; and
- women, by reducing the capacity of those who have been away from the labour market for long periods (such as mothers of disabled children) to gain skills for work, retrain or prepare for life after caring.

8.13 The White Paper states that the current benefits system can ultimately trap carers on benefits. This rule actively prevents carers who would be able to juggle caring for 35 hours a week or more with studying, from engaging in education because they are unable to do so without the loss of their income.

9. IMPLEMENTATION OF UNIVERSAL CREDIT

9.1 With such radical reform effective implementation is crucial. This will require a large exercise in information dissemination and training for both DWP staff and welfare advisors across the voluntary, community and charity sectors.

9.2 Carers UK calls on the Government to consult on and publish an implementation plan at the earliest opportunity to give opportunities for these groups and organisations, particularly those representing the most marginalised groups who typically struggle to access support from the benefits system, to contribute to implementation planning. Whilst the Universal Credit may deliver simplification, this does not necessarily mean that the benefit will be culturally competent, for example. Carers UK has concerns that such widespread reform may, in the short-term, have the effect of discouraging claims from BAME and other excluded communities if implementation is not effectively managed.

December 2010

Written evidence submitted by National Childminding Association

1. SUMMARY

1.1 Registered childminders provide flexible, high quality, inclusive childcare in a home-based setting that benefits both parents and children. The National Childminding Association (NCMA) is the only national charity and membership organisation that represents home-based childcare in England and Wales.

1.2 NCMA believes it is vital that parents are supported with the costs of childcare in order to help them back into work and to ensure every child gets the best start in life. In plans to reform the benefits system, Government should prioritise improving children’s life chances in order to prevent the intergenerational cycle of poverty, particularly via the childcare element. This should be considered in conjunction with other areas of policy, and continuing to invest in improving the quality of the early years will be of paramount importance to this.

1.3 NCMA members support a change to the childcare element of the Working Tax Credit scheme so that parents are paid by vouchers that can only be accepted by registered childcarers. NCMA believes that a voucher system would prove effective alongside the Universal Credit system, and should also be available to parents not in work. This would allow the children in these families to benefit from the developmental opportunities of formal childcare, help their parents to access training, volunteering and job seeking opportunities, and prevent disruption to families where parents may work in short-term employment or varying hours each week.

1.4 NCMA would encourage Government to invest in the home-based childcare workforce to maintain current numbers of registered childminders and encourage more into the profession to meet the demand for childcare places and create further employment opportunities. Greater partnership working between childminders and other local services is equally important to develop specialist support for parents and children, particularly families with disabled children or teen parents.

128 Paragraphs 60068–60072 in Decision Maker’s Guide Volume 10, Chapter 60, DWP.
2. Introduction

2.1 NCMA welcomes the opportunity to contribute to this inquiry.

2.2 NCMA is the only national charity and membership organisation that represents home-based childcare in England and Wales, delivered by registered childminders and nannies. It has approximately 40,000 members, representing 68% of all childminders in England, and a growing nanny membership. We promote quality home-based childcare so that children, families and communities can benefit from the best in childcare and education. We support registered childminders and nannies to raise the quality of their practice and ensure key stakeholders are aware of and integrate registered childminders and nannies into national and local childcare strategies.

2.3 To achieve our vision NCMA works in partnership with:

- children and families, so they are aware of, and have access to, high-quality, home-based childcare, play, learning and family support;
- registered childminders and nannies to ensure they have the information, support and training they need to provide high-quality childcare; and
- Government, local authorities, regulators and other organisations in England and Wales who influence the delivery of children’s services and childcare to ensure they take account of home-based childcare and the views of the profession.

2.4 Registered childminders provide flexible, high quality, inclusive childcare in a home-based setting. Childminders can tailor childcare to fit in with the needs of each child and their family. In the last year, approximately 264,000 children every week in England benefitted from the consistent care of a childminder in a small, family-focussed environment. Overall childminders represent 61% of all childcare settings, providing just over a fifth of all childcare places.

2.5 Registered childminders help to improve children’s life chances by contributing to their social and emotional development through the provision of high quality childcare and early learning. This provision can also help to prevent the intergenerational cycle of disadvantage and underachievement by helping parents to take up work or further education opportunities.

2.6 Registered childminders support parents returning to work or study by providing flexible, affordable childcare at a time to suit the families, especially those working atypical hours or in shift patterns. This is invaluable, particularly in areas of deprivation, where childminders can support parents returning to work or study. The Department for Education’s Childcare and Early Years Providers Survey 2009 shows that almost a fifth of childminders operate in the 30% most deprived areas in England, with 17% of all childminding places offered in these areas.

2.7 Childminding also represents a clear career option for those returning to employment. At present there are approximately 56,710 childminders in England, although numbers are declining. It is vital that local authorities support the recruitment and retention of childminders to ensure families in their area can access the benefits childminders provide for children and parents, and also to help childminders to remain in employment and provide those without work a further potential career option. NCMA has experience working with local authorities, such as Cambridgeshire County Council, to organise childminder recruitment campaigns in identified areas of need and support all new childminders through the registration process, including the delivery of induction courses.

3. Further Information

NCMA welcomes the Government’s move to develop a system that will make it easier for families to access support, including assistance with childcare. It is vital that all families can access the help they need, particularly childcare opportunities, to ensure their children get the best start in life. The most recent figures from HMRC, published in 2008, suggested that 366,300 families in England were in receipt of the childcare element of the working tax credit. This is nearly one in eight of all families using some form of formal childcare in England. According to the Daycare Trust, the average claimed for the childcare element of Working Tax Credit in England is now £69.76.

NCMA supports the overall administration of the new benefit being managed by one Government department. This will provide a clear contact point for both families and childcare providers.

NCMA believes that support for childcare costs should be provided alongside the Universal Credit, rather than through it. This would not replace an earnings disregard, such as the current childcare voucher programme.

NCMA believes that all parents receiving the Universal Credit should be entitled to support for childcare costs, regardless of whether they are in work. This recognises the importance of assisting parents who are actively seeking work who may need to attend interviews, Job Centre or recruitment agency appointments, as well as the more administrative side of job seeking such as writing applications and job hunting online. It would also take into consideration parents who may take up volunteering and education opportunities as their

first step back towards employment. Preventing disruption for families would also be another key benefit in cases where parents are employed for short-term periods but may experience periods of unemployment in between, or may need to work varying hours in their jobs from week to week. It could also help with up-front childcare costs when parents move into work, which could include a deposit to secure a child’s place with a childminder, and in some instances paying a month’s fees in advance. For many parents settling their children into childcare where they are happy may be the important first step to ensure they are comfortable returning to work.

Most vital of all, however, is that this approach would ensure that children in poverty whose parents are not working could experience the same benefits of formal early years education and care as those whose parents are in employment. Research has shown that in disadvantaged families where the mother has a low level of education, a child’s participation in formal childcare is associated with significantly better cognitive outcomes at age 6 and 7 relative to children who have only attended informal childcare settings. At present, many low income families tend to favour informal childcare, and the lack of funding may contribute to this.

NCMA is of course aware of the Government’s free entitlement to 15 hours of free early years education and care for three and four-year-olds and the most disadvantaged two-year-olds. However, this entitlement does not cover the full amount of time that parents may need for job hunting, training or volunteering opportunities.

NCMA would encourage the Government to offer 100% of childcare costs for those accessing the Universal Credit who wish to take this up. For those in work, this would help to provide an incentive to further their career and economic opportunities by not penalising them for taking on additional hours or responsibilities. For those not in work, providing 100% of costs would be absolutely vital in making it feasible for parents to access formal childcare for their children, and to ensure they receive the best developmental opportunities.

4. A SEPARATE VOUCHER SYSTEM TO PROVIDE SUPPORT FOR CHILDCARE

The Universal Credit White Paper opens a discussion about the form that support for parents with childcare costs could take. NCMA supports the proposal to separate childcare from the Universal Credit by establishing a voucher system to provide support for childcare, which would be available to all those accessing the Universal Credit.

There has been substantial debate amongst childcare providers and with organisations such as NCMA about the administration of the childcare element of Working Tax Credit. This has been fuelled by reports of incidents of, for example, childminders promising a place to a parent, who then includes the childminder’s details in their application for the childcare element but does not send their child to the childminder. The provider loses out on anticipated revenue and has to go through the process of filling the place for a second time.

To avoid such abuses of the system, NCMA’s members support the childcare element being provided in a different form, such as a voucher, that can only be accepted by registered childcarers.

NCMA members believe this would be a significant step to crackdown on error and fraud in the benefits. HMRC recently reported that 4.5% of all tax credit awards in 2008–09 had errors relating to childcare with a potential loss to the Exchequer of £380 million.135

NCMA would support a system that is paid promptly. With the focus of the new Universal Credit being online, NCMA would urge caution in providing exclusive access to the proposed childcare voucher system online. Whilst 77% of NCMA members report using the internet several times per week, 8% of NCMA never use the internet.136

Furthermore, NCMA would not support a system where the payment is made directly to the childcare provider if this meant the childcare provider was responsible for updating the Government on changes in the family’s personal circumstance.

5. GREATER PARTNERSHIP WORKING WITH CHILDCARE ORGANISATIONS TO HELP PARENTS BACK INTO WORK

NCMA would like to see more partnership work between childminders and local stakeholders to help parents in returning to work, including engagement between childminders and children’s centres, which should be encouraged by local authorities. It is also vital that bodies such as Jobcentre Plus have a broader understanding of the role childminders can play in supporting families back to work—especially acting as a mentor and offering support to young parents. A system of matching demand for childminders and opportunities to train for this could also help more people to take up employment opportunities whilst ensuring there is sufficient childcare available in the area.

135 HMRC News Release (30 November 2010) Tax credits claimants reminded to report changes in childcare
http://nds.coi.gov.uk/clientmicrosite/Content/Detail.aspx?ClientId=257&NewsAreaId=2&ReleaseId=416832&SubjectId=36
Furthermore, NCMA would support the introduction of more childminding networks. Government support for childcare is often vital in enabling parents to take up work. However, more must be done to ensure parents can access this support and have a full choice of childcare options. At present, families can only access the Government’s entitlement to 15 hours of free childcare through childminders if the local authority provides an accredited childminding network. It is important that Government enables families to choose the form of childcare that best suits their needs by ensuring all local authorities provide these networks. This would enable more childminders to be accredited to deliver Early Years Education.

NCMA has successfully worked with local employers to establish childminding networks to offer and promote childcare that will meet the specific needs of their employees. One notable example of this is the Avon and Somerset Constabulary childminding network, which links police officers and support staff with childminders. In the East of England NCMA has worked with Anglia Support Partnership (ASP), which provides support services to NHS organisations in the region. As part of this, NCMA has assisted with the development of a vacancy service to match parents and children with quality assured childminders in the local area.

Childminding networks also play an important role in driving up quality, with 15% of childminders who are members of a childminding network being graded outstanding by Ofsted, compared to 6% who are not on a network. This in turns helps to ensure children have access to better development opportunities. It is through childminding networks that registered childminders are able to access additional training and support, and participate in specialist programmes that meet the particular needs of families with additional requirements and groups such as teenage parents.

**Supporting parents of disabled children/children with special educational needs (SEN)**

In research undertaken on behalf of NCMA, more than nine in 10 parents of disabled children/children with SEN reported difficulties in finding childcare that was accessible to their child and could provide the right kind of care to meet their needs. Significant barriers included difficulties obtaining information about available childcare and meeting the cost of childcare provision, particularly where providers—which included early years group settings and after-school care—charged higher fees to cover the additional costs of caring for a disabled child. Parents who struggled to find suitable childcare regretted not only the income they lost from not working, but also the lack of financial and social independence for themselves and the loss of social opportunities for their children.

The lower use of childcare by parents of disabled children is highlighted in the *Childcare and Early Years Survey of Parents 2009*: in total, 38% of disabled/children with SEN aged under-14 were receiving some form of formal childcare (including before- and after-school clubs), compared with 43% of children who were not disabled or had no special educational needs. Difficulties with securing appropriate childcare create problems for parents of disabled children accessing employment and this increases the risk of poverty. Only 16% of mothers of disabled children are in paid employment, compared with 61% of all mothers. Research from the Department for Work and Pensions demonstrates that rates of child poverty are higher in families where a child is disabled. 56% of children in families with one or more disabled children, and no disabled adult, are in the bottom two quintiles of the income distribution, compared with 44% of children in families with no disabled children or adults.

NCMA would welcome greater investment to support families with disabled children and those with additional requirements to help their parents take up employment opportunities, as well as ensuring their children benefit from the associated development benefits. Childminders can help disabled children and those with additional requirements to get ready for school through the provision of high quality early years education and care. The smaller nature of their settings enables them to give these children more one-to-one attention and adapt to their needs, as well as ensuring they are supported alongside other children. More than a third of childminders are currently trained to provide support for disabled children and those with additional needs.

**Supporting teenage parents**

Juggling the challenges of parenting, childcare and returning to school or college is daunting for many young parents. NCMA manages a number of teen parent projects across the country to help young parents back into education and training with the support of a registered childminder. Young parents come into the scheme via Connexions, children’s centres, Family Information Services, or by making contact directly.

A successful teen parent project in Lincolnshire is helping support young parents to return to school and education through the provision of childcare. The project is delivered by NCMA in partnership with Tackling Teenage Pregnancy (TTP). This project supports teenage parents in finding a registered

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139 Smith et al (2010).
childminder by offering home visits to discuss childcare needs and options, accompanied visits to up to three childminders locally that match the needs of the parent concerned, and continued support once the care is in place.

It is vital that local authorities provide support for these projects and that Job Centres link with them effectively to ensure both parents and children can benefit from them.

**Ensuring a strong childcare sector is available to help parents take up work**

The Government has stated its commitment to ensuring that parents continue to receive financial support with the costs of childcare, as this is crucial if they are to have an incentive to work. It is vital that there is a vibrant childcare sector to meet the increased demand for places following the changes to requirements for Sure Start Children’s Centres to offer full day care, and the introduction of Government policy to move lone parents who are capable of work and whose youngest child is seven or older onto Jobseeker’s Allowance. This is an interim measure before the Government extends the scheme further to lone parents with children of school age.

To maintain current numbers and encourage more into the profession, registered childminders need to be supported to remain sustainable businesses. The majority of childminders are individuals who have set up their own businesses. In order to provide a high quality, successful childminding setting, it is important that providers are given support and advice on running a sustainable business, particularly in the current economic climate, through initiatives such as the Ofsted registration fee subsidy and sufficiency assessment by local authorities. Research illustrates the working environment for childminders—nearly half (46%) of NCMA’s members have a turnover of less than £10,000 per annum, with 30% of the total membership turning over less than £7,000 per annum. Coupled with this low income are long hours, often working as a sole provider—on average, childminders work 37.5 hours per week, with 55% working for more than 40 hours per week. With such a low income, even minor changes to the childcare or local business environment can have a major impact on their ability to remain sustainable.

As well as ensuring a sufficient number of childcare places are readily available, it is important all families have a chance to access the highest quality childcare and early learning experiences. NCMA would urge the Government to ensure that funding is allocated to support childminders to access professional development pathways, as research shows the higher qualified the practitioner, the higher quality the experience for the child. In turn, this results in children being better prepared for school and achieving higher attainment levels. NCMA believes that all registered childminders should be qualified to level 3 or above because recent research shows that NCMA registered childminder members holding a level 3 or above qualification were significantly more likely to be graded outstanding at their Ofsted inspection than those with a lower level qualification. At present 51% of childminders do not have a level 3 qualification.

In addition, there is the need for continued investment and support for childminders to undertake the new Level 3 Diploma for the Children’s and Young People’s Workforce (the qualification level for those working unsupervised with children). Any training must be available in a format that is accessible to all, including evening and weekend sessions and e-learning. This investment and support is also vital to ensure they are able to join quality improvement childminding network and, if they wish, then to become accredited to deliver the free entitlement.

6. **Recommendations for Action**

**NCMA makes the following recommendations to the Select Committee for consideration:**

— support for childcare costs should be provided alongside the Universal Credit, rather than through it, and should be available to parents regardless of their current employment status;

— Government should offer 100% of childcare costs for families who are accessing the Universal Credit;

— the benefit should take the form of a voucher that can only be accepted by registered childcarers;

— the childcare provider should not be responsible for updating the Government on changes in the family’s personal circumstance; and

— the development of the Universal Credit should be considered in conjunction with other areas of policy development including supporting childminding businesses to remain sustainable, the development of childminding networks in every local authority and access to continued professional development for the home based childcare workforce.

**December 2010**
Written evidence submitted by VocaLink

SUMMARY

1. VocaLink is pleased to make a short submission on the government’s proposed Universal Credit. As requested by the Committee, this submission focuses on an aspect of the government’s proposals which requires continuing development, and one in which VocaLink has particular and highly relevant expertise.

ABOUT VOCALINK

2. Having pioneered electronic payments for over four decades, many of the world’s top banks and their customers, including the UK Government, rely on VocaLink to meet their transaction needs. Our platforms process over 90 million transactions on a peak day, including 98% of benefit payments, and connect the world’s busiest ATM network of over 60,000 ATMs.

3. We provide the central infrastructure for Bacs and the UK Faster Payments service and process payments throughout the Single Euro Payments Area (SEPA). Our services operate on “never fail” technology which ensures total reliability and availability, 24 hours a day.

KEY POINTS

4. The White Paper notes (Chapter 4, para. 15—“How Universal Credit will be calculated and paid”) that DWP “intend[s] to use HM Revenue & Customs proposed real-time information system to identify earnings and to calculate the net Universal Credit payment. This means that those recipients who receive earnings through Pay As You Earn will not need to inform us for payment purposes if the amount of their earnings change[s].”

5. Since the publication of the White Paper on the Universal Credit, HMRC have published a further consultation document on PAYE reform, which confirmed that in principle Ministers have decided to adopt a system of collecting real-time information on employees’ earnings (RTI). The document defines RTI in the following terms: “RTI will collect information about tax and other deductions automatically each time employers run their payroll. This information will be submitted automatically to HMRC at the same time the employees are paid. Where employers pay their employees via Bacs, the RTI data will form part of the Bacs submission.” (Improving the Operation of PAYE: Collecting Real—Time Information: Executive Summary, 1.3)

6. The HMRC document also notes (1.10): “RTI is a key component in the Department of Work and Pensions’ (DWP) plans for the introduction of Universal Credits from 2013. DWP will use RTI to award and adjust Universal Credit to take account of employment and pension income. To support DWP’s plans, RTI will be introduced from Spring 2012.”

7. The Committee may therefore wish to take into account in its inquiry into the Universal Credit that, according to DWP itself, the introduction of the Universal Credit is intended to be delivered on the back of the successful and timely development of the PAYE RTI system. This is because the collection of earnings information in real-time offers the first opportunity to make use of accurate and up-to-date data about a claimant’s income at the time that a decision is made about a claim. The Committee will be only too aware that what has bedevilled the payment of benefits (and collection of taxes) in recent years has been the timelag in the collection of information about a citizen’s circumstances.

8. DWP also believes that the introduction of the Universal Credit, based on RTI, should lead to a significant reduction in the losses suffered to fraudsters. The White Paper notes that misreporting [of earnings] can be deliberate and fraudulent, and that “the real-time earnings system presents us with a real opportunity to reduce misreported earnings by giving us timely and accurate information on most people’s earnings, rather than relying on cumbersome paper-based self-reporting” (Chapter 5, paras. 7 and 8).

9. It does therefore appear to VocaLink to be essential, from the viewpoint of developing the Universal Credit on the timetable envisaged, that DWP should engage with HMRC:
   — to ensure that PAYE Reform remains on track to be delivered in time to underpin the Universal Credit;
   — to ensure that the interface between DWP’s and HMRC’s systems enables DWP to make efficient and effective use of RTI;
   — to ensure that PAYE Reform is taken forward in such a way that it can straightforwardly both achieve the aspirations of HMRC to improve the functioning of PAYE and meet the requirements of DWP in respect of the Universal Credit; and
   — to ensure the underlying payment infrastructure operated by VocaLink is utilized in the most efficient and cost effective way in supporting both DWP and HMRC in delivering their respective welfare and tax reforms.

December 2010
Written evidence submitted by Low Incomes Tax Reform Group

1. Executive Summary

1.1 We welcome the concept of one benefit administered by one Government department. However, we caution against assuming this will deliver greater simplicity, particularly as so much of the detailed policy and design is yet to be decided. We are also sceptical whether the IT systems can be ready in time for a 2013 launch.

1.2 We note the aim of Universal Credit to ensure that people are always better off in work. But we are concerned about certain gaps in the proposals, and fear that work incentives may in some cases be eroded rather than enhanced. In particular:

— An income floor for the self-employed will detract from the support currently available through the recognition of losses in working tax credit, which is especially helpful in the early years of a business or in difficult periods.

— We fear that insufficient thought may have been given to the role of passported benefits in work incentives, and the need to account for the costs associated with work (eg travel).

— The White Paper lacks detail about support for disabled people, or for pensioners in work or who care for children, or for those who need support with rent.

— Childcare support is an essential part of work incentives. We welcome plans to remove the 16 hour working week requirement, and hope that this increase in provision will not be balanced by a reduction in the level of support. We remain concerned about the lack of firm plans for childcare support.

— We note that marginal deduction rates will fall for some, but increase for others.

— Proposed earnings disregards, while generous in some cases, seem less generous for some than under the current system.

— There are likely to be high levels of inaccuracy in the transmission of real-time information from HMRC to DWP for use in establishing entitlement to Universal Credit. This creates concern about suggestions that claimants may themselves be made to carry the cost of official error.

— It is unclear whether Universal Credit will do anything to ameliorate the couple penalty.

2. Introduction

2.1 About us

2.1.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes.

2.1.2 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT’s primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it—taxpayers, advisers and the authorities.

2.2 General Comments

2.2.1 We welcome this opportunity to give evidence to the Committee on the proposals set out in the Government’s White Paper “Universal Credit: welfare that works”.

2.2.2 The proposals in the paper represent a massive reform of the welfare system. Whilst in principle we support the aim of a single benefit, administered by one Government department, the White Paper still gives insufficient detail and leaves many important questions unanswered. It is consequently extremely difficult to analyse how effective Universal Credit will be in addressing the problems of the current system.

2.2.3 The hallmark of the system seems to be that “Universal Credit will mean that people will be consistently and transparently better off for each hour that they work”. Whilst this vision is welcome, we are unsure what yardsticks are used to determine if someone is better off. If no account is taken of passported benefits and work-related costs, then a person may not overall be any better off in work.

2.2.4 Our concerns are heightened given the proposed ambitious timetable to introduce Universal Credit and the real time earnings data system that will support it. The remainder of this evidence briefly identifies those areas which give us greatest cause for concern.

3. Specific Issues

3.1 Self Employed

3.1.1 There is only brief mention of this large group of people. It is important, especially in the current climate when more people may be considering self employment in the absence of employed work, that the needs of the self employed are fully considered both in terms of financial benefit and administrative complexity.
3.1.2 In particular, we note that the White Paper (Annex 3) proposes an income floor for the self employed attributing to them a wage equal to the number of hours they work at National Minimum Wage even if their actual income is much less or they make a loss. This proposal seems to work against policies of other Government departments, such as the Annual Investment Allowance, which encourage self-employment. We are concerned that those starting in business, or experiencing a difficult year, will not receive the support that they would have under the current tax credit system where income definitions are better aligned with the tax system. This would seriously diminish the work incentives in working tax credit.

3.1.3 Further consideration must be given to how income information and working hours will be obtained for the self employed, as they will be outside of the PAYE real time data information.

3.2 Disability

3.2.1 There is very little detail in the White Paper about those with disabilities. It states that they will receive a higher earnings disregard, but no information is given as to what the qualification criteria will be and therefore there is no way to assess whether this is more or less generous than in the current system. With the proposed reform of Disability Living Allowance and the closure of the Independent Living Fund, we are concerned about the reduction in future support for disabled people.

3.2.2 We also have concerns regarding service delivery. The White Paper suggests that Universal Credit will mainly be administered online, reducing reliance on telephone contact and further minimising face to face contact. Whilst online accounts can be advantageous for those with the necessary equipment and skills, many vulnerable groups, including some people with disabilities, may not be able to access these services. It is therefore vital that they are not disadvantaged in any way and adequate provision is made.

3.3 Pensioners

3.3.1 The White Paper focuses on working age people with little mention of the growing pensioner population and the diminishing demarcation between working and pension age. It does state that provision will need to be made to replace child tax credit for pensioners who are responsible for children and housing benefit for those who pay rent, but the mechanism for how this will be done and the knock-on effects are not yet clear.

3.3.2 Pensioners in receipt of working tax credit will also need some provision, and the White Paper suggests that those pensioners who continue to work can elect to remain on Universal Credit. Whatever solution is chosen, this large group of people should not be considered in isolation and we have called for an urgent review.142

3.4 IT Capability

3.4.1 In a previous session before the Work and Pensions Select Committee, the Secretary of State gave evidence that the IT changes required would not constitute a major project and the White Paper suggests it will be along the lines of that used for employment and support allowance.

3.4.2 We are sceptical not only about this claim, but also about the timescale given for the introduction of Universal Credit especially given its reliance on HMRC’s ability to PAYE real time data in place.

3.4.3 In the past, systems have been launched before they were ready to unrealistic timetables and at times in the knowledge they were flawed. This has led to a situation where IT has driven policy rather than policy driving the IT. We are concerned that given the tight timetable, Universal Credit could follow this pattern. We fully endorse Lord Carter’s recommendation that systems should be launched only when they have been fully tested and confirmed to be fit for purpose and believe that this principle must be adhered to if the mistakes of the past are to be avoided.

3.5 Joined up working

3.5.1 We welcome the fact that Universal Credit brings together several benefits and will be administered primarily by one Government department. However, there will always be interactions that cut across many areas of Government, be it one large department working in silos or a number of smaller departments.

3.5.2 Joined-up working is also important in the context of the advice sector. As much warning as possible is needed to ensure the sector is adequately prepared to help claimants with the new system and to be able to get their own systems in place to cope with the new IT and rules of Universal Credit.

3.6 Passported benefits

3.6.1 We often raise the issue of passported benefits in our reports and submissions. In the current system, these benefits can often be the deciding factor in whether someone is better off in work. It is therefore welcome that the White Paper includes a section on passported benefits.

142 http://www.litrg.org.uk/News/2010/tax-policy-pensioners
3.6.2 That said, although the White Paper contains limited detail, it seems to suggest that there will remain a series of income levels at which passported benefits are lost and therefore cliff edges will continue to exist (although the actual income levels at which the benefits are lost will be staggered). As well as creating complexity by having different cut-offs, we are concerned that the impact of passported benefits on Marginal Deduction Rates (MDR) has not been considered. In our experience, passported benefits can be responsible for increasing MDR significantly. If this continues to happen in Universal Credit, work will not necessarily pay once account is taken of the loss of these benefits.

3.7 Council Tax Benefit

3.7.1 It seems that no decision has been taken as to how Universal Credit will replace Council Tax Benefit, although we have been assured by DWP officials that Council Tax Benefit was considered when the taper rate and MDR figures were calculated for the White Paper. It should also be noted that council tax benefit is extremely important for pensioners.

3.7.2 Council Tax Benefit is a key benefit for many people. Any replacement needs to ensure that claiming as administratively straightforward as possible and therefore any plan which takes the administration outside Universal Credit adds additional complexity for claimants as well as causing some current problems, such as duplication of data, to continue. The plans for couples in which one is above and one below women’s state pension age need to be clarified.

3.8 Childcare

3.8.1 Without doubt, childcare is one of the most important work incentives and it is therefore concerning that no firm plans have been made as to how the childcare element of Working Tax Credit and other childcare support delivered by Jobcentre Plus will be delivered within Universal Credit.

3.8.2 The childcare element of Working Tax Credit supports many parents move into work from benefits. Without this support, they would be unable to work. We welcome the Government’s plans to remove the 16 hour work requirement in order to claim childcare support, but have concerns that the percentage of help available may be less generous than the current system to balance this increase of provision.

3.8.3 Most importantly in respect of childcare is the impact that childcare costs have on the MDR and Participation Tax Rate (PTR). As with passported benefits, the cost and availability of childcare can be major barriers to work and we therefore urge the Government to consult widely with representative bodies to ensure that whatever model of childcare is chosen ensures that the incentive to work is not eroded.

3.9 Marginal Deduction Rates

3.9.1 The White Paper outlines in several places how Universal Credit will impact on MDR. As noted above, we are concerned that no account has been taken of passported benefits and childcare on the MDR quoted in the paper.

3.9.2 We would particularly like to draw attention to the MDR tables in Chapter 7 of the White Paper which seem to suggest that although MDR will fall for many, they will increase for an equal number of people.

3.10 Earnings Disregards

3.10.1 We welcome the generous earnings disregards proposed in Universal Credit, at least for certain groups.

3.10.2 We are however concerned about single people (without disabilities or responsibility for children) who will receive no earnings disregard. This could erode work incentives for that group if, as we think likely, the result turns out to be less generous than the current Working Tax Credit disregard.

3.10.3 Also, the proposed disregards are quite complex. The floors introduced by deducting housing costs mean that it will not be straightforward for claimants to check their disregard and therefore their overall entitlement.

3.10.4 It is also unclear what the criteria will be for each of the disregards and we urge that the Government give careful thought to these criteria particularly in relation to the disability disregard.

3.11 Other work costs

3.11.1 We are disappointed that no reference is made in the paper to the costs associated with work, which, in combination with the loss of passported benefits, can mean the difference between being better off on benefits than in work.

3.11.2 The main cost for people moving into work is the cost of travel. No mention is made of this, nor the cost and availability of childcare, particularly where registered or approved childcare is not available or where other strict conditions of the childcare element of working tax credit are not met.

3.11.3 Extra costs associated with disability can be a further disincentive for disabled people to enter work and unless these additional costs are addressed in some way they will remain a major disincentive.
3.12 Complexity

3.12.1 Complexity is not necessarily a bad thing, providing it remains behind the scenes away from claimants and does not increase the risk of official error. No-one would argue with the Government’s assessment that the current system is extremely complex; but the proposals for Universal Credit are already starting to look quite intricate.

3.12.2 While we very much welcome the move to replace several benefits by one benefit and to have that benefit administered by one Government department, we think there is a danger of going from a system involving several complex benefits to having one benefit with several complex elements within it.

3.13 Overpayments

3.13.1 We are worried about the Government’s plans to increase their powers in respect of official error overpayments. Whilst we understand that they have a duty to protect public money, Government departments often contribute to overpayments through official error and claimants are left with overpayments through no fault of their own. It would be wrong to penalise people for errors over which they have no control and which often they are unable to identify due to the sheer complexity of the system.

3.13.2 Although Universal Credit is claimed to be simpler than the existing system, there will still be considerable complexity in the rules and the interactions between benefits outside of Universal Credit. The use of real time earnings data from HMRC gives rise to another possible area of error which is once again outside the control of the claimant. Careful thought should therefore be given to introducing safeguards for claimants, such as those which exist in the tax system where employers do not correctly follow PAYE regulations, to ensure that claimants are not held responsible for employer or DWP mistakes.

3.13.3 We are also concerned that claimants may receive conflicting messages about what to report and what not to report. On the one hand, claimants will be told that some earnings data is not needed and they don’t need to report certain changes, whilst on the other hand other income information will need to be reported. This could cause confusion for claimants. It is also unclear whether claimants will be expected to check the information that their employers are passing to HMRC, and therefore careful messaging needs to be used to ensure that claimants are absolutely clear about their obligations.

3.14 Harmonisation of rules

3.14.1 In our view, structural reform alone will not remove the problems caused by inconsistent rules and interactions between various benefits. Harmonisation of rules is the only way to resolve those problems.

3.14.2 Unfortunately we are still unclear about the detail of how this harmonisation will take place. It is not clear whether the rules in the current tax credit system will be replicated within Universal Credit or whether the definitions and criteria will remain distinct from benefits and closely follow the tax system. It is also concerning that some rules seem to being harmonised unfavourably for claimants, such as the White Paper’s statement that only 50% of pension contributions will be an allowable deduction from earnings (compared to 100% in the current tax credit system). We would urge the Government to provide further information as soon as possible so that organisations can contribute to policy development.

3.15 Real time earnings data

3.15.1 One of the “selling” points of Universal Credit is the ability to use real time earnings data provided by HMRC to allow awards to be adjusted when earnings and circumstances linked to employment change. Although this may be a sound principle, there is much that concerns us about the use of real time data.

3.15.2 First, we are extremely sceptical whether HMRC will be able to deliver a fully working real time data system that will be able to feed DWP accurately within the timetable set out. Secondly, the policy costings that accompanied the Comprehensive Spending Review143 presumed that the real time earnings data would have a 90% accuracy rate, leaving an error rate of 10%. This is unacceptably high, particularly if powers in relation to recovering official error overpayments are increased. Thirdly, there are many unanswered questions about what information will be transferred from HMRC. For example, HMRC have indicated that benefits in kind (covered by P11D/P9D) are to be excluded. This means that DWP will need to gather additional information otherwise awards will not be correct.

3.16 The Couple Penalty

3.16.1 In their report Dynamic Benefits, the Centre for Social Justice identified the couple penalty as one of the problems with the current system. The Coalition agreement (Section 14, 3rd Bullet) set out plans to reduce the couple penalty in the tax credit system. It is therefore surprising that no mention is made in the White Paper of the couple penalty.

143 http://cdn.hm-treasury.gov.uk/sr2010_policycostings.pdf
3.16.2 The White Paper shows a higher proposed disregard for lone parents than for couples. It is difficult to establish at this stage, without full details, exactly what impact the proposals will have on the couple penalty, but we are unconvinced that it has been expunged from the new system.

December 2010

Written evidence submitted by The Social Fund Commissioner

INTRODUCTION

I support, in principle, welfare benefit reforms aimed at delivering a simple system with a focus on helping people into work and tackling financial barriers facing those who are capable of moving into work, whilst continuing to support the most vulnerable.

Our expertise is within the discretionary Social Fund. This is a scheme of community care grant and interest free budgeting and crisis loan payments, designed to help people on low income with costs that are difficult to meet. The White Paper makes clear the intention to reform Social Fund; retaining some parts within the Universal Credit framework and devolving other aspects to Local Authorities in England and to the Devolved Administrations in Scotland and Wales.\(^{144}\) There is no other detail about its future structure or delivery and this is the focus of my response.

EXECUTIVE SUMMARY

— Effective targeting of support on the most vulnerable should continue to be at the centre of the reformed scheme, which needs to support and complement the government’s policies to promote work for those who can work and help those who are most vulnerable.

— There is no detail in the White Paper to show how local delivery would work in practice. I believe national criteria should be drawn up to ensure a consistent approach to the exercise of discretion, whilst allowing for outcomes that reflect local circumstances.

— Any criteria for a reformed scheme should ensure that grants are targeted at supporting vulnerable people who may be unable to help themselves because of factors such as age, chronic illness or disability; and supporting people who need help to re-integrate into society. To achieve this, the criteria should be more tightly drawn than that currently in existence. Grants should be aimed at meeting one-off needs with a sharper focus on community care.

— With the qualifying criteria drawn more tightly it is likely fewer individuals would receive an award and the money would be targeted at those in most need.

— The Government has already included a power for the provision of goods and services instead of cash payments. In addition, I understand the Department is considering changing the law in relation to repeat applications. I support these principles.

— To ensure public funds are targeted fairly there should be adequate funding for both the programme and administration costs; and separation of the budget from other Local Authority services.

— Budgets should be allocated to different Local Authorities taking account of particular problems facing local communities.

— Some customers seeking assistance from the existing Social Fund scheme already receive help from other support services. This demonstrates that there are local interventions that could be enhanced by reforming the delivery of some aspects of the grants scheme.

— It is also clear there are a significant number of vulnerable people without support. Some of the most vulnerable citizens are ill-equipped to seek out the right level of support they need.

— The current budgeting loan scheme is straightforward and does not require complex administration. The reformed scheme should retain key elements of this but could also widen access to interest free loans to help smooth the transition to work and improve work incentives.

— On the basis that the eligibility and qualification criteria for grants target those most in need alongside widening access to budgeting loans, I do not envisage a need for a crisis loan facility to meet larger one-off expenses.

— It would seem appropriate that crisis loan payments for alignment of benefit and wages payments are made through Universal Credit as opposed to a separate loan scheme.

— It will be important to retain a safety net to cover emergency living expenses. The current process is costly to administer, can lead to a perception that it is open to abuse and runs the risk of leaving someone very vulnerable without the means to meet emergency living expenses. A fairer, simpler and more cost effective option would be for each applicant to have access to an advance of benefit facility within the Universal Credit framework.

— Careful consideration needs to be given to the recovery of loans under a devolved scheme. At the moment recovery in most cases is simple and straightforward.

\(^{144}\) White Paper on Universal Credit: welfare that works Cm 7957 page 47.
Reformed Social Fund Scheme

1. The current Social Fund has existed for over 20 years, providing a safety net for vulnerable people. I believe that effective targeting of support on the most vulnerable should continue to be at the centre of any reformed scheme. Our experience of casework over the past two decades indicates that the Social Fund has a part to play in supporting and complementing the government’s policies to promote work for those who can work whilst helping those who are most vulnerable.

2. In order to incentivize work for those who can work I note that people in this group cannot be provided for more generously than those who are in work on low incomes. I am also mindful of the administrative difficulties experienced by the Jobcentre Plus in coping with the volume and frequency of Social Fund applications. A reformed scheme will need to tackle these issues.

Grant Facility

3. The White Paper and the Government’s response to the 21st Century Welfare consultation paper outlines the intention to reform the current system of community care grants and crisis loans and enable Local Authorities and the devolved administrations to deliver a grant facility locally. The Government believes that “localising these discretionary elements would make them better tailored to local circumstances and more effectively targeted at genuine need”.

4. I support in principle the conclusion that help may be better targeted if delivered locally. However, there is no detail in the White Paper to show how this would work in practice. There appear to be two options. Funding could be given to Local Authorities to use at their complete discretion; alternatively, national criteria could be drawn up to ensure a consistency in approach to the exercise of discretion, whilst still allowing for outcomes that reflect local circumstances.

5. One of the fundamental principles in relation to any welfare benefits scheme, whether delivered centrally or locally, is the need for consistency in approach in relation to the application of the scheme so there is fairness between different groups of citizens. Outcomes may differ across localities or communities where this is appropriate to reflect local needs and circumstances. But any difference in outcome should relate to the needs of individuals using the local service, rather than where the individual lives or the needs or preferences of the organisations delivering that service.

6. The existing discretionary scheme for grants operates within a framework of criteria, alongside guidance issued by the Secretary of State. We have clear evidence from our casework and research that the scheme targets help towards the needs of many vulnerable citizens. However, even within this national framework we have seen significant and ongoing problems with the standard of decision making, with some Jobcentre Plus benefit offices having higher error rates than others. To ensure fairness for all applicants, the reasons for these problems need to be addressed in both the current and any future scheme. I note the Committee of Public Accounts in its recent report has identified that, “In the light of the Government’s proposals to devolve grant administration to local authorities, the Department needs to provide assurances that training and quality measures will not be cut and to clarify how its quality improvement measures will apply to local administrators”.

7. Taking account of our experiences and the clear intentions behind the welfare reforms, any criteria for a reformed scheme should ensure that grants are targeted at supporting vulnerable people who may be unable to help themselves because of factors such as age, chronic illness or disability; and supporting people who need help to re-integrate into society in order to play a full and active role in the community in the longer term. To achieve this, the criteria should be much more tightly drawn than that currently in existence. Grants should be aimed at meeting one-off needs with a sharper focus on community care, for example to:

- Help someone establish in the community when leaving care or in other exceptional circumstances; or remain in the community where the circumstances indicate there is an identifiable risk of the person not being able to live independently without this help. The need may be for the use of the person themselves or for a carer to enable support to continue.
- Prevent people living rough.
- Meet the needs of a child under 17 years of age where the need arises out of a chronic illness or disability and an award is needed to provide a secure and safe environment for that child.

8. It follows that the sharper focus on community care issues would result in a different pool of applicants who are likely to qualify for a grant. In particular, far fewer families would meet the criteria compared to the current scheme but may instead access help in the form of an interest-free loan.

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9. I envisage there would still need to be an element of discretion in deciding whether to make an award. Importantly, one would expect to see a clear causal link between the need under consideration and the relevant grant criterion. Other relevant considerations would include:
   — the difference an award would make in helping to improve the circumstances giving rise to the person meeting the qualifying criterion;
   — the extent of the person’s vulnerability and the likely consequences of refusal; and
   — the budget position in that particular locality.

10. With the qualifying criteria more tightly drawn I envisage fewer needs would be considered for a payment, thereby reducing the need for multiple priority bands to just two classes of needs: either “critical” or “non-critical”.

11. I note there are concerns that the current scheme is subject to abuse. The Government has already included a power for the provision of goods and services instead of cash payments. In addition, I understand the Department is considering changing the law in relation to repeat applications. In particular to bar further payments for the same need within 12 months of a previous award. I support these principles.

12. Another important aspect in ensuring that public funds are targeted fairly and in the right way is the overall national allocation of funding for the reformed grants facility and the subsequent distribution of local budgets. This requires adequate funding for both the programme and administration costs; and separation of the budget from other Local Authority services.

13. In distributing budgets to different Local Authorities it would be appropriate to take account of particular problems facing local communities, such as high levels of homelessness, a large proportion of elderly people or high levels of deprivation.

14. The current grant scheme highlights problems when the central distribution of the budget fails to take account of the needs of individuals or particular local difficulties. This issue has also been commented on by the Committee of Public Accounts in 2005, a recent National Audit Office report and the Committee of Public Accounts in its latest report.

15. Any reformed scheme must have clear, understandable criteria that are applied consistently along with a fair and equitable distribution of resources. As noted by the Committee of Public Accounts, “Tight funding makes it even more imperative that the scheme is fair and reaches as many of the people in the greatest need as possible”.

16. There is already a precedent for Local Authorities managing limited budgets within a national framework. I am aware that in relation to adult social care, Local Authorities work with national criteria when assessing individual care needs and take account of local circumstances including the budget when deciding precisely what needs can be met.

17. It is not clear in the context of Scotland and Wales whether the administration of a reformed scheme would fall to Devolved Governments or Local Authorities. The comments in this paper apply wherever the administration sits.

18. Our casework and research shows that some customers seeking assistance from the existing Social Fund scheme already receive help from other support services. This can include support from a counselling service or medically qualified person, a housing agency, probation officer, rehabilitation worker, and other organisations such as refugee centres, community groups, or Citizen’s Advice. Any payment from the Social Fund has formed part of a package of support to help improve their situation and promote community care. These experiences resonate with the ethos of adopting a holistic approach to help customers move out of dependency and poverty. Such ongoing local interventions could be enhanced by reforming the delivery of the grants scheme.

19. Our experience shows that there are a significant number of vulnerable people who receive no support. Some of the most vulnerable citizens are ill-equipped to seek out the right level of support that they need. Any reforms to the grants scheme need to take this into account.

Loans

20. It is clear from the White Paper that the intention is for budgeting loans to become an advance of benefit facility available in certain circumstances which will become part of Universal Credit. However, crisis loans will, like grants, be devolved to Local Authorities where they will be linked to other support services. Under the current scheme there is provision for crisis loans to meet both emergency living expenses and larger one-off expenses. The budgeting loan scheme is aimed at helping eligible applicants meet intermittent expenses.

21. The current budgeting loan scheme is simple and straightforward and does not require complex administration. I believe that the reformed scheme should retain many of the key elements, but there is also a...
case for widening access to interest free loans. It will be particularly important during the phased roll-out of Universal Credit. The availability of interest free credit will help those people on a low income who are moving into work but still receiving Universal Credit. This will help smooth the transition to work and improve work incentives.

22. At the moment the applicant needs to be in receipt of a qualifying benefit for 26 weeks before they have access to a budgeting loan. Removing this qualifying period would also help extend interest free credit facility to those people moving back into work.

23. On the basis that the eligibility and qualification criteria for grants target those most in need, alongside widening access to budgeting loans I do not envisage a need for a crisis loan facility to meet larger one-off expenses.

24. In 2009–10 over 30% of crisis loan expenditure was for alignment payments to cover living expenses up to the first payment of benefit or wages. Given the benefit and work link it would seem appropriate that payments are made through Universal Credit as opposed to a separate loan scheme.

25. A further 31% of crisis loan expenditure in 2009–10 was for general living expenses. It will be important to retain this safety net. However, the current application and decision making process is costly to administer, can lead to a perception that it is open to abuse and runs the risk of leaving someone very vulnerable without the means to meet emergency living expenses. A fairer, simpler and more cost effective option would be for each applicant to have access to an advance of benefit facility, which would be determined by that person’s overall borrowing capacity based on an automated credit rating formula. On this basis there is a case for these loans to remain within the Universal Credit framework and to be included as part of the advance of benefit facility already outlined for the current budgeting loan scheme.

26. Careful consideration will also need to be given to the recovery of loans under a new scheme. At the moment recovery in most cases is simple and straightforward because it is coordinated by a single point of contact and is administered by the same organisation that pays weekly benefits.

**Independent Redress**

27. The process for citizen redress within the context of any reformed welfare system should be as simple and efficient, with as few layers of bureaucracy as possible.

28. I believe that the citizen’s right to an independent grievance process should be an integral part of any welfare benefit system that seeks to meet the needs of poor and vulnerable customers. Fairness is a fundamental component of such decision making. Whilst the best outcome for the citizen is the right decision first time, there will inevitably be cases that go wrong and the potential for errors may be heightened during the initial phase of a brand new scheme. Where a dispute is not resolved an independent, transparent examination of the decision is a crucial part of ensuring the process is fair and is seen to be fair.

29. Currently, the independent grievance process for the Social Fund is delivered by means of an independent review conducted by Inspectors. I believe under any welfare reforms there must be a system of redress independent from local decision makers not only for Social Fund customers but for users of all welfare benefits. In the proposed devolved scheme, local decisions should be subject to independent scrutiny outside Local Authority structures and control. This could assure Ministers as well as the public that decisions were credible and fair.

30. Any independent process should be proportionate and underpinned by productivity and performance measures which take into account accessibility, clarity of communication with customers, speed and quality of decision making, customer confidence in its impartiality and value for money.

December 2010

**Written evidence submitted by Women’s Budget Group**

**Summary**

Knowing about the gender implications of policy changes is important not only for ensuring that gender inequalities are reduced, but also so that policies can be designed to meet their own goals most effectively. This submission from the Women’s Budget Group raises a number of concerns about possible gender implications of ways in which UC may be designed.

There are a number of unresolved issues that are of crucial importance in determining whether the introduction of Universal Credit will increase or decrease gender inequalities in income, in work incentives and in the access of individuals to household income. These issues may also undermine the effectiveness of UC in meeting its aims of reducing the complexity of benefits/tax credits and ensuring more consistent work incentives.

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The Women’s Budget Group recommends that legislation should not be put before parliament until those crucial issues are resolved. Otherwise it would require members of parliament to vote on legislation without being able to take into account their gender implications, in contravention of the spirit, and possibly the letter, of Parliament’s duty to take account of the impact of proposed measures on gender equality.

These issues include:

— Whether it is conducive to good resource use in families for Universal Credit (UC) to be paid in a single undifferentiated monthly payment to one member of a family.
— In particular, whether payments for children’s needs and childcare costs should be paid to the same person as the rest of UC.
— On what basis payments for childcare will be made.
— The longer-term future of Child Benefit as a separate benefit once UC is introduced.
— A similar question concerning the future of Carer’s Allowance.
— The form in which conditionality will operate for multi-person households and in particular how children’s welfare will be protected.
— What can be done to mitigate the decrease in work incentives to enter employment for “second earners” in some families in the UC system.
— How attachment to the labour market can be maintained though periods in which employment costs are particularly high, such as around the birth of a child.
— How to cope with regional variations in the costs of taking employment, without creating the counterproductive effect of families moving into areas with lower employment opportunities and, in particular, women’s employment being disrupted by such moves.
— Finding terminology to describe family roles that does not help solidify an unequal division of family responsibilities and labour.

Submission

1. The UK Women’s Budget Group (WBG) is an independent, voluntary organization which brings together individuals from academia, non-governmental organizations and trade unions. We have been scrutinizing the gender implications of the budgets and spending plans of UK governments since the early 1990s.

2. The WBG welcomes the Committee’s decision to ask for submissions on the proposals in the White Paper on Universal Credit. This submission raises a number of concerns about possible gender implications of ways in which UC may be designed to meet the laudable aims of reducing the complexity of benefits/tax credits and ensuring more consistent work incentives. Knowing about the gender implications of policy changes is important not only for ensuring that gender inequalities are reduced, but also so that policies can be designed to meet their own goals most effectively.

3. The WBG recommends that legislation should not be put before parliament until those crucial issues are resolved. Otherwise it would require members of parliament to vote on legislation without being able to take into account their gender implications, in contravention of the spirit, and possibly the letter, of Parliament’s duty to take account of the impact of proposed measures on gender equality.

4. The working assumption that under Universal Credit only one partner would receive the Universal Credit payment for a joint claim needs more justification. The idea that families will manage better, resources be shared more fairly and used more to the benefit of children, when a single undifferentiated monthly payment is made to one member of the family (in practice, unless the government actively discourages this, more likely to be the man in heterosexual couples) is challenged by much recent research into what goes on financially within households. Women are usually the managers of household money in low-income families, often by performing a complex juggling act in which the timing of a variety of different payments plays an important role. Attention should be paid to what is already known about intra-household financial management in deciding the form in which UC is paid and the frequency of payments.

5. In particular, there is good reason why child benefit and payments to children and for childcare in the tax credit system go to the mother or “main carer”150. Without evidence to the contrary, it would seem best to continue that system and avoid a significant redistribution of resources from women to men. Evidence from research done prior to the introduction of tax credits151—as well as the current research with low- to moderate-income couple families from a recent research project investigating “Within Household Inequalities and Public Policy” (WHIPP) as part of the Gender Equality Network funded by the Economic and Social Research Council (www.genet.ac.uk)152 show the continued salience of gender roles in intra-household finances. This should be used to think carefully about how the different components of UC should be labelled and to whom they should be paid.

6. The form of payment towards childcare costs under UC has not been established. This is not a minor detail but for many parents, particularly lone parents and second earners, may determine whether taking employment is really worthwhile. This is not simply a question of marginal deduction rates but also the availability, affordability and convenience of good quality childcare. It does not seem a good idea to move to legislation without the way in which childcare support will be delivered being clarified.

7. Child Benefit is no longer a universal benefit. The White Paper states that it will not be part of Universal Credit. But what will happen to its value, and will further means testing be introduced in future? It is crucial that Child Benefit, which does not cause work disincentives, is retained as a separate universal benefit at a sufficiently high level to make a meaningful contribution to meeting children’s needs, and provide their “main carer” with control of at least some income. Given that the Secretary of State had previously suggested that Child Benefit might be integrated with UC in order to overcome the anomalies created by the withdrawal from higher rate taxpayers, it would be helpful to have confirmation that this is not envisaged in the longer term.

8. The future of the Carer’s Allowance is also important as a form of independent income for those with significant caring responsibilities, most of whom are women. Whether this benefit is retained as a separate, individual non-means-tested benefit will crucially affect the gender impact of the introduction of UC. Until this matter is resolved, any gender impact assessment will be sufficiently incomplete that it cannot fully inform members of parliament in deciding how to vote on the introduction of UC.

9. The form in which conditionality will operate is a crucial matter. Caring responsibilities are often uneven or unpredictable. School holidays, for example, may make taking some forms of employment difficult for mothers who could work during school term-times. Care needs of elderly and disabled people are particularly unpredictable and the conditionality regime (which it appears will apply to those who are not judged to have “substantial” caring responsibilities) would have to be flexible enough to deal with this, since few carers will abandon those for whom they care even in the face of severe financial penalties. Another issue that needs clarifying is how the failure of one partner to meet conditionality requirements might impact on the other’s access to an income—and in particular, how children will be supported if either or both of their parents do not conform to conditionality rules. Again before legislation is proposed these issues need to be sorted out if parliament is to have the ability to make an informed decision on the introduction of UC.

10. In families with caring responsibilities, “second earners” are known to be more sensitive to work (dis)incentives because it costs them more in both money and time to enter employment. In practice it is usually the woman who is seen as a couple’s “second” earner. For couples already above their earnings disregard, the change to UC could increase the marginal deduction rates of potential/actual second earners under the tax and NI threshold from the current 39% (soon to be 41%) to 65% under UC. If there is no extra earnings disregard for second earners, this can only encourage a more uneven division of gender roles and may counteract the government’s intention that short jobs become economically viable for those with caring responsibilities.

11. This is not just an issue of restricting choices made at a point in time. A decline in “second earning” in poorer families would lead to a long-term increase in child poverty and greater financial insecurity. “First earners” may lose their jobs and many families split up. Keeping an attachment of mothers to the labour market is crucial in protecting the well-being of children in poorer families. Children tend to live with their mothers and so the poverty rates of children follow those of their mothers. It is particularly important to enable women to keep that attachment through stages in which the financial and organisational costs of taking or staying in employment are particular high, such as around the birth of a child. There may be a case for increasing earnings disregards at times when the cost of employment are particular high and re-considering earnings disregards for individuals.

12. There is considerable evidence that the high cost of childcare, housing and/or commuting makes paid work relatively much less worthwhile in some areas of the UK, notably central London. We urge the Committee to examine this problem—and consider ways of lessening its impact on the propensity to find and take employment, including that it does not result in families moving into lower cost areas where jobs are in practice scarcer. Moving families is disruptive, particularly for women who often have to manage the process, including settling children into new schools, giving up their own jobs in the process, and potentially losing the support of families and neighbours that enabled them to take employment in the first place.

13. Finally, we would ask that care be taken in the language used to describe family members in any legislation. The terminology used by government should not help solidify an unequal division of family responsibilities and labour. We have been disturbed for some time by the use of the term “main carer” in the tax credit system. While, as noted above, we think it is important that payments for children and childcare go to those who actually take responsibility for their care, we would not want an implied assumption that it should inevitably be the case that there is a main carer. Many parents are trying to share care responsibilities equally. The language used, while it should be flexible to recognise actual practice, should be careful not to impede change or restrict the possibilities of more equal sharing of roles and responsibilities within families.

December 2010
Written evidence submitted by National Housing Federation

SUMMARY OF EVIDENCE

1.1 The National Housing Federation (NHF) welcomes the thrust of the Government’s plans for a Universal Credit (UC) in trying to simplify a complex system and removing work disincentives. However, we believe that more should be done to reduce marginal deduction rates and make work pay.

1.2 We are pleased that the DWP appears to have accepted the principle of keeping housing costs separate from the UC’s individual income component.

1.3 The White Paper does not provide sufficient assurance that the housing element of the UC will cover the true cost of intermediate rents—of up to 80% of market rates. Failure to guarantee this could cause considerable financial difficulties for tenants as well as harming the ability of housing associations to continue to develop new stock.

1.4 We are concerned about the possibility of tenants being compelled to receive direct payments from the DWP for their housing costs, rather than payments being transferred to social landlords, as often happens now.

1.5 We are also concerned about the potential of other elements of the Government’s welfare reforms to undermine the battle against welfare dependency.

RECOMMENDATIONS

2.1 The Government should go further in removing the work disincentives created by high marginal deduction rates and consider a single taper of 55% as proposed by the Centre for Social Justice.

2.2 The Government should guarantee that tenants of social landlords who charge the new 80% intermediate rents will be entitled to receive the full cost of that rent in housing benefit (HB).

2.3 The Government should ensure tenants retain the right to request that their housing assistance be transferred directly to their landlord.

2.4 The Government should reconsider a number of its proposed welfare reforms, in particular plans to reduce HB for working-age families in households with spare bedrooms in social housing, to impose an overall cap on benefits, and to reduce HB by 10% where a claimant has been on Jobseeker’s Allowance (JSA) for more than a year.

INTRODUCTION

The National Housing Federation represents 1,200 not-for-profit housing associations in England, and is the voice of affordable housing. Our members provide two and a half million homes for more than five million people. The Federation welcomes the opportunity to provide evidence to the Work and Pensions Select Committee’s inquiry into the White Paper Universal Credit: Welfare that works.

Housing associations work in some of the most deprived and disadvantaged communities in the UK and understand the importance of getting people into work to tackle poverty and raise aspirations. We believe that the benefits system should support people into work and protect those that are not able to work through age, disability or caring responsibilities. It should always be financially advantageous for people of working age to be in work. We support many of the principles behind the introduction of the UC but are concerned that a number of proposed reforms aimed at helping with housing costs threaten to increase homelessness and undermine the Government’s and devolved administrations’ objectives on housing and tackling disadvantage.

MAKING WORK PAY

4.1 The NHF welcomes the Secretary of State’s acknowledgement in the foreword to the White Paper that “too much of our current system is geared toward maintaining people on benefits rather than helping them to flourish in work” and that “we need reform that tackles the underlying problem of welfare dependency”.

4.2 The problem of marginal deduction rates—the often punitive rate at which benefits are withdrawn as income rises—has been well documented and publicised, not least by Prime Minister David Cameron in his speech to the Conservative Party conference in 2009, when he condemned the tax and benefits system for imposing “96% tax rates on the poorest”.153

4.3 A single unified taper is a positive proposal and would go much of the way to simplifying the system and encouraging those in work to work more and progress in employment, where circumstances allow. Being able to keep more of the money earned through employment, including part time or short term work, is an appropriate and effective incentive to work.

4.4 The proposed UC, as set out in the White Paper, would consolidate different taper rates for different benefits into a single taper of about 65% on net income for low earners—equivalent to the existing rate for housing benefit—enabling recipients to keep more than a third of additional post-tax earnings. While such a

proposal would undoubtedly represent an improvement on the current situation, and potentially reduce work disincentives, it is less ambitious than the single 55% rate proposed by the Centre for Social Justice in its report, Dynamic Benefits, in September 2009.  

4.5 The Government must ensure that the taper is set at a rate that encourages claimants into work by allowing them to keep significantly more of their income. We would like ministers to consider further reducing the marginal deduction rate to increase the likelihood of achieving their stated objective of tackling welfare dependency.

**Keeping Housing Separate**

5.1 The White Paper proposes that an “appropriate amount” will be added to the UC award to help meet the cost of rent or mortgage interest. It adds: “For those who rent their accommodation, this amount will be similar to the support currently provided through Housing Benefit.”

5.2 We are pleased that the DWP appears to have accepted the importance of keeping housing costs separate from other components of the UC. Such a dual element system can protect social housing tenants by making sure they have sufficient income to pay their rent and meet other needs, and also by securing the future revenue of social landlords to help them continue to build new affordable homes with limited public subsidy. Obviously this will only be possible if any universal credit does not result in many social housing tenants falling into significant rent arrears and even facing eviction.

**Covering Actual Rent**

6.1 The White Paper states that, for social-rented sector tenants—including those who rent properties with new short-term tenures and at intermediate (up to 80% of market rate) rents—“the housing component [of the Universal Credit] will build on the support currently provided by the current Housing Benefit system, based on actual rents in both housing association and Local Authority properties”.

6.2 While we welcome the suggestion that the vital link between social housing rents paid by the individual and the benefit they receive will be retained, the Government has fallen short of guaranteeing that benefit for social rented housing will always cover actual rent in all cases—including on properties let at intermediate rents.

6.3 The principle that any home regulated as social housing is recognised as social housing for the purposes of the benefits system must be retained. Guaranteeing that the UC reflects the precise level of rent paid by claimants, rather than providing an allowance of the kind used to subsidise housing in the private rented sector, will ensure that people have sufficient income to pay their rent and meet other needs once their housing costs are covered. This is the best way to prevent personal debt and secure revenue for housing associations to fund more development.

6.4 We would like assurances that the benefit for social rented housing will always cover actual rent at all levels—irrespective of any specific caps on Local Housing Allowance (LHA) in the private sector.

**Direct Payments to Landlords**

7.1 The White Paper appears to propose a shift to the direct payment of housing support to tenants. It says: “There are advantages in paying the housing component to individuals, rather than the current system of payments direct to landlords. This would encourage people to manage their own budget in the same way as other households.”

However, it goes on to suggest that some use could still be made of direct payments to landlords.

It says: “We also recognise the importance of stable rental income for social landlords to support the delivery of new homes and will develop Universal Credit in a way that protects their financial position. Options for achieving this could include some ongoing use of direct payments to landlords, use of direct debits, and a protection mechanism which safeguards landlords’ income. We will work closely with the devolved administrations, providers and lenders in developing the new system.”

7.2 We are concerned about the prospect of tenants being compelled to receive payments from the DWP for their housing costs. Although we appreciate that the Government is keen to encourage individuals to take personal responsibility for their financial situation, there are real fears that any introduction of direct payments to tenants to cover housing costs in the social rented sector will precipitate rising arrears and rising collection costs. These will also have an impact on cash flow based loan security valuations and will cut future borrowing capacity of housing associations at a time of constrained public spending.

7.3 Pilot studies have shown paying money for housing costs direct to social housing tenants increases arrears and is not popular with tenants.

7.4 The administration of the benefits system should recognise the importance of secure income for landlords in maintaining ongoing investment in new homes. Housing associations are not-for-profit social businesses that

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invest in communities and new affordable housing. A reliable stream of rental income allows associations to secure long term finance at favourable low rates enabling them to maximise the number of much needed affordable homes they build.

7.5 In Annex 1 of the White Paper, the DWP acknowledges that one of the leading themes to emerge from responses to the Government’s consultation, 21st Century Welfare, is concern that paying the housing element directly to the Universal Credit recipient “could have a negative impact on landlords’ rent collection whilst causing individuals to fall into debt”.

**CONCERNS OVER WELFARE REFORM PROPOSALS**

8.1 Some of the measures designed to “control the cost” of HB, described in the White Paper as the “first step” towards implementing the Universal Credit, risk undermining the plan’s stated aim of tackling welfare dependency. We believe that the reinforcement and extension of conditionality as a central principle of reform may unreasonably penalise people on low incomes, including many of the most vulnerable. Conditionality is too crude an instrument to incentivise employment and can have the opposite effect by increasing financial adversity and making people’s circumstances more difficult, inhibiting the search for work. Furthermore, many people’s health and employment prospects are likely to deteriorate as they are pushed into extreme hardship. Government should prioritise alternative ways of challenging and supporting people into employment.

8.2 **Housing Benefit cut for “under-occupiers”**

One proposal is to limit HB to family size rather than size of property. The White Paper says: “We have already announced our intention to limit Housing Benefit payments to social-rented-sector tenants who under-occupy their properties.”

8.3 We estimate that 332,000 housing association households could face a stark choice between making up the shortfall in their rent or moving. The Federation is looking at how social landlords could support and incentivise tenants to downsize to free up housing for tenants living in overcrowded accommodation and new applicants on waiting lists.

8.4 We believe housing associations should have the ability to manage their own stock, including increased flexibility over transfers and allocations, so that they can ensure that the best use is made of social housing stock. This includes tackling overcrowding by encouraging people to free up family sized accommodation for those who need it.

8.5 There should be flexibility within the system to allow separated parents to share the care of the children. We appreciate that the detail has yet to be published on the way that the proposed penalty for people deemed as “under-occupying” their home will work. However it is difficult to see how a system could work that is meaningful and transparent to tenants.

8.6 We also doubt that this measure will secure the sizeable savings anticipated. Social housing rents in the UK are reasonably flat across house size and therefore there may be little difference between the rent on a two bedroom and a three bedroom flat. The rent for a new build one bedroom property may be higher than an older three bedroom house.

8.7 **Overall benefit cap**

The Government has announced that no family will be able to claim more in benefits than the average household income of a working family. By 2013, this is projected to be £26,000 per year (£500 per week). Disabled people, war widows and families claiming working tax credits will be exempt from the cap, which according to Government research will affect 50,000 households. A new cap on benefits for single people of £18,200 (£350 per week) has also been announced.

8.8 This measure risks uprooting families from their communities or pushing them into debt, arrears or homelessness. While it will mainly affect recipients of LHA in the private rented sector, it could also present problems for families in new housing association homes let at intermediate (up to 80% of market value) rents, since the higher HB costs will tip families over the cap far sooner. Such households will need to make up any shortfall in their rent. This will particularly affect families living in the high value areas. For example, if the cap was introduced today, a couple with two children living in a three-bedroom home in London on 80% market rent could be left with just £237 per week once they have paid their rent. According to Joseph Rowntree Foundation research, the minimum income such a family would need to achieve a socially acceptable standard of living, based on what members of the public think is required after housing and childcare costs are taken into account, is £403 per week.

8.9 There is no clarity about whether the maximum benefit caps for individuals and couples/families will still apply by the time the UC is introduced.

155 NHF research.

8.10 The overall cap could represent a risk to housing associations’ revenue, and could act as a barrier to increasing sector capacity, particularly with regard to larger family homes. It should be reviewed.

8.11 Housing Benefit cut for unemployed

The proposal to reduce housing benefit by 10% after 12 months for claimants in receipt of (JSA) punishes a claimant regardless of how much effort he or she has made to find work. It is too crude a measure to incentivise employment and will push people into hardship.

8.12 The average weekly housing benefit received by someone in receipt of JSA is £102. This suggests that a single claimant over 25 would be left with just £55.25 to live on per week and that those between the ages of 16 and 25 merely £41.65 if they have to make up 10% of their rent.157 Many people moving from Incapacity Benefit onto JSA may have not worked for some years due to ill health or disability—for these people there is a real danger that a cut in benefit could destabilise their housing situation, exacerbate health problems and leave them even further from successfully holding down a job.

8.13 There are already many checks within the system to ensure that people take up all opportunities for work or training: this additional penalty reducing help with housing costs is unnecessary, adds complexity to benefits administration and threatens to increase homelessness among vulnerable people.

WORKING TOGETHER

9.1 We welcome the White Paper’s acknowledgement that “there are many policy and operational issues to work through in respect of housing”, as well as the Government’s commitment to work closely with local authorities and the housing sector as it develops its plans in the coming months.

December 2010

Written evidence submitted by The Scottish Federation of Housing Associations

1. EXECUTIVE SUMMARY

1.1 The SFHA agrees with the UK Government that the existing welfare system is too complex and in need of radical reform. The SFHA feels that the concept of a unified benefit is worthy of exploration. But we have grave concerns about the pace of the welfare reform agenda and its linkage with public expenditure cuts.

1.2 We are concerned that the combined impact of all of the current welfare reform plans, including the changes proposed in the Emergency Budget and the Comprehensive Spending Review, will have a detrimental impact on:
   — the lives of low income households; and
   — the operational costs and revenue streams of social landlords.

1.3 The SFHA’s principal concern is to support our members in seeking to prevent and alleviate homelessness. We consider it a priority to examine any proposed changes to the welfare system that could undermine our members’ work to ensure that even the most vulnerable tenants can sustain their tenancies.

1.4 The SFHA considers it vital that any reforms must take account of the interaction between devolved and reserved powers. Changes and restrictions to Housing Benefit could potentially impact on demand for housing, levels of indebtedness, and potentially increase homelessness. A number of the changes proposed to welfare benefits, including the Universal Credit proposal, have the potential to exacerbate this potential impact. All of this has implications for matters of housing policy devolved to the Scottish Parliament.

1.5 The UK Government’s White Paper, Universal Credit: welfare that works, appears to imply that the root cause of poverty is benefit dependency. It does not take sufficient account of prevailing economic conditions and other factors that affect ability to work.

1.6 The SFHA has outlined in this submission a number of detailed concerns about the Universal Credit proposal. The most significant of these concerns for our members is that a mechanism for direct payment of housing costs to social landlords must continue.

2. WHO WE ARE

2.1 The SFHA is the national representative body for housing associations and co-operatives in Scotland.

2.2 Housing associations and housing co-operatives in Scotland own and manage 47% of the country’s affordable rented housing stock. This represents 279,144 homes across Scotland, concentrated in some of the poorest communities in our country.

157 National Housing Federation analysis, August 2010, based on JSA rates and Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011–12, DWP, July 2010.
Approximately 60% of social housing tenants in Scotland rely on full or partial Housing Benefit in order to pay their rent.\textsuperscript{158}

2.3 This submission focuses upon those aspects of the proposal that will have the most significant impact upon the work of our members and upon the communities within which they operate.

3. NEED FOR REFORM

3.1 The SFHA responded to the consultation paper which preceded the White Paper, 21st Century Welfare. In that response,\textsuperscript{159} we posed the question, why do we need a welfare system in the UK? We feel that the answer to this question is straightforward: in an economy which expects the majority to support themselves through earnings, state intervention is required to provide a safety net to those whose income is threatened.

The primary threats to income are: unemployment; relationship breakdown; illness; ageing; pregnancy/childcare responsibilities. Threats to income impact upon the quality of people’s day to day lives but the first and foremost danger is to the roof over their heads. Every citizen has a basic human right to shelter.

3.2 The SFHA’s principal concern is to support our members in seeking to prevent and alleviate homelessness. This includes ensuring that even the most vulnerable living in the communities in which our members operate can sustain their tenancies. Consequently, the SFHA considers it a priority to examine any proposed changes to the welfare system that could have a detrimental impact upon tenants and thus undermine our members’ work.

3.3 The SFHA agrees that the welfare system is too complex and in need of radical reform. In our view, successful reform requires extensive debate with all of the key players, careful consideration of the detail and sufficient investment to ensure fairness. Given the prevailing economic climate and the earlier proposals to change Housing Benefit\textsuperscript{160} and other welfare benefits,\textsuperscript{161} the SFHA is not convinced that sufficient funding will be made available for the proper implementation of the proposed unified benefit. We also have grave concerns about the pace of developments since May this year and specifically, about the speed with which the decision about Universal Credit was announced following the close of the 21st Century Welfare consultation.

3.4 The SFHA agrees with the Social Security Advisory Committee (SSAC) that:

“Rapid cuts made in order to reduce expenditure could further distort the system and make wholesale rational reform of the welfare system even harder in the longer term. The speed with which some of the changes are being designed and implemented also leaves very little time for the consideration of a holistic view of the social welfare agenda, which for example needs to take account of the impact on housing policy, child outcomes and poverty levels.”\textsuperscript{162}

3.5 We also agree that, in many cases, the current system of benefits and taxation discourages those who can work from doing so because they would be financially worse off. The current system has become ever more complex due to the increasing amount of sanctions and conditionality that has been introduced into it over the years by successive governments.

3.6 We estimate that there is an amount of benefits unclaimed in Scotland each year, often by housing association and co-operative tenants. There are many reasons for this, ranging from the complexities of the system, not understanding the impact of life changes on their entitlement, negative experiences of the system, stigma of claiming, to a sense that they are “already getting by”. Other reasons for underclaiming include the incidence of casual and seasonal work, particularly in rural areas. The consequences of this are significant and serious:\textsuperscript{163}

- Between 166,000 and 235,000 older people underclaim between £280 million and £399 million of Pension Credit each year;
- Between 64,000 and 100,000 people underclaim between £108 million and £203 million of Housing Benefit each year; and
- Older social rented tenants may underclaim around £150 million per year.

3.7 The SFHA has given its support to the Scottish Campaign on Welfare Reform’s Manifesto for Change.\textsuperscript{164} The SFHA agrees that: “the successive introduction of new benefits with even more conditions attached has resulted in a system so complex people often don’t know what they are entitled to and are frequently plunged into financial crisis every time their circumstances change. The system is expensive to administer and badly


\textsuperscript{159} SFHA response to 21st Century Welfare, downloadable via this link: SFHA Response September 2010

\textsuperscript{160} The SFHA submitted evidence to the Commons Select Committee on Work and Pensions, highlighting the likely impact of the changes to HB proposed in the Emergency Budget.

\textsuperscript{161} Announced in the UK Government’s Emergency Budget on 22 June 2010 and in the Comprehensive Spending Review on 20 October

\textsuperscript{162} SSAC Response to 21st Century Welfare, paragraph 1.5

\textsuperscript{163} Beating the Crunch—Housing Associations Tackling Poverty and Financial Exclusion, SFHA, October 2009

\textsuperscript{164} Downloadable from the Poverty Alliance’s website at www.povertyalliance.org.uk
underfunded leaving staff facing impossible demands. It is time to stop tinkering with the system and make some fundamental changes.”

3.8 We have examined the Universal Credit proposal and we believe that the combined impact of all of the current welfare reform plans, including the changes proposed in the Emergency Budget and the Comprehensive Spending Review will have a detrimental impact on the lives of low income households, particularly if unemployment remains high. In Scotland, the unemployment rate is not falling at the same rate as in the UK as a whole, and remained at 4.9% at the end of August 2010.

3.9 A recent report on poverty and social exclusion in Scotland states that, although Scotland entered the recession with lower unemployment and child poverty than in England, it has fared worse since. We are also concerned that the proposals may impact upon the operational costs and revenue streams of social landlords, at a time when they are focused upon keeping costs down in order to maintain affordable rents. Increases in costs must be met by increases in rents, which in turn pushes up the Housing Benefit bill. The SFHA is currently campaigning against the planned cuts to Housing Benefit, with support from the other three UK-based Federations.

3.10 We have not seen any evidence that the UK Government is willing to prioritise the public investment that would be required to rebuild the economy and support people during the recovery. Instead, all of the signs are that the welfare benefits system is being targeted as a route to make significant savings.

4. Benefit Dependency

4.1 At the risk of over-simplification, it appears to us that there is an implication in the White Paper and in 21st Century Welfare that the root cause of poverty is benefit dependency and that, if benefit dependency is addressed, poverty is therefore alleviated. This fails to recognise the significant impact of prevailing economic factors such as: job availability; availability of affordable childcare; low-pay; suitability of the currently unemployed for the available vacancies; employers’ attitudes to long term unemployed/sick/disabled; high costs of rents, energy and travel.

4.2 There will always be people who cannot work for reasons outwith their control or who cannot find employment that they are qualified to do. The SFHA is perturbed that there is insufficient recognition in the White Paper that rates of benefit must be sufficient to lift claimants out of poverty.

4.3 This leads us to question whether the key driver for simplification is, quite simply, to save public expenditure, rather than it being creating a system that is fit for purpose and fit for the 21st Century.

4.4 The Social Security Advisory Committee’s response to 21st Century Welfare expressed concern about the language used by the UK Government in referring to “welfare dependency”, implying that it is a “lifestyle choice”. The SSAC has emphasised that “dependency” implies the unnecessary or inappropriate receipt of benefit. “We know of no reliable evidence to suggest that benefit receipt is a matter of “choice” for the overwhelming majority of benefit recipients.”

4.5 As indicated above, the SFHA is a co-signatory to the Scottish Campaign on Welfare Reform’s (SCoWR) Manifesto for Change. The key demands of the Manifesto are:

- Increase benefit rates to a level where no one is left in poverty and all have sufficient income to lead a dignified life;
- Make respect for human rights and dignity the cornerstone of a new approach to welfare;
- Radically simplify the welfare system;
- Invest in the support needed to enable everyone to participate fully in society;
- Make welfare benefits in Scotland, suitable for Scotland.

The detail within the Manifesto outlines what these demands would mean in practice for the delivery of a radically improved welfare system.

4.6 It is the SFHA’s view that the key demands outlined in the SCoWR Manifesto form a robust set of principles for a welfare system that is fit for the 21st Century. It is also our view that this must be accompanied by a significant public investment programme, including investment in housing. We consider that now is not the time to cut spending on welfare, but rather to invest our way into economic recovery.

165 Extract from the introduction to the SCoWR Manifesto for Change
166 Compared to 4.5% in the UK as a whole. Office for National Statistics, Unemployed Claimant Statistics for UK, published 15 September 2010.
168 A copy of our campaign leaflet can be downloaded via this link: http://www.sfha.co.uk/component/option,com_docman/itemid,37/gid,417/task,doc_download
169 Housing Benefits and Welfare Benefit changes announced in 22 June 2010 Emergency Budget.
170 SSAC response to 21st Century Welfare, paragraph 1.4
171 Downloadable from the Poverty Alliance’s website at www.povertyalliance.org.uk
5. **The Universal Credit Proposal: SFHA’s Concerns**

5.1 The SFHA is in favour of addressing the complexities in the Housing Benefit and welfare benefits system and a unified working age benefit could be one solution. However, there has been insufficient discussion with the key parties, including social landlords. The 21st Century Welfare consultation paper lacked any of the detail that would have been required to assess impact.

5.2 The SFHA agrees with Professor Kenneth Gibb, that “if the long term goal is to move to a much simpler universal type allowance with an embedded housing allowance within it … then the shift from one system to the new one has to be managed and the transition made acceptable to all parties … Housing Benefit on this scale directly affects the poorest in society but also the very bodies whose purpose is to provide aid and support to those people. It the outcome of reform is to make private finance even less accessible [for housing investment] it will be self defeating.”

**Direct Payment of Benefit including Housing Costs**

5.3 It is proposed that the Universal Credit will be paid directly to the claimant, although the White Paper refers to the Government recognising the importance of stable rental income for social landlords and states that Universal Credit will be developed in a way that protect their financial position. The Paper goes on to state that “options for achieving this could include some ongoing use of direct payments to landlords, use of direct debits and a protection mechanism which safeguards landlords’ income. We will work closely with the devolved administrations, providers and lenders in developing the new system.” Whilst we appreciate this acknowledgement of the issue, we have grave concerns about the potential impact of the new system on rent collection, rent arrears and lenders’ confidence in the sector’s rental streams. The facility for direct payment to landlords, which exists currently in the Housing Benefit regime, must remain within the Universal Credit regime. The SFHA has campaigned consistently against the many previous proposals to end the facility for direct payment of housing costs to social landlords. If our concerns are ignored, rent arrears will spiral in our sector, with a consequential impact on operating costs, revenue income and tenant indebtedness. There must also be a mechanism for rent arrears repayment from Universal Credit, as exists in the current system.

**Tapers and Disregards**

5.4 We welcome the proposed reduction in the withdrawal taper and the proposed increase in income disregards, as this will make the transition from benefits into work less of a financial struggle. However, we note that it is proposed that there will be no earnings disregard for single people without children. This is a move away from existing policy where the earnings disregard for single people is £5. The SFHA would wish to see an increased disregard applied to single people.

5.5 We note also the White Paper states that disregards will be reduced to take account of the amount of support being provided for housing costs. This statement concerns us as it does not explain what the precise impact would be and may actually outweigh any benefit accrued from the increased disregards.

**Automatic Adjustment**

5.6 We also welcome the proposal to automatically adjust Universal Credit payments for those in work, according to monthly income reported through an upgraded PAYE system. If this works smoothly in practice, then we believe that this will prevent over and under payments and reduce the burden on people in work to report fluctuating earnings. However, it also has the potential to increase financial hardship if there are significant teething problems in the integration of the computer systems. It is vital that there is sufficient investment in the computer systems if administrative errors and payment delays are to be avoided.

**Claiming and Reporting Changes in Circumstances**

5.7 The White Paper states that the normal method of claiming the new Credit will be via an online application and that changes in circumstances will also have to be reported online. Whilst we welcome any improvements in the system that assist a claimant to make a claim and enable a quicker re-assessment of any changes, we have concerns that offering a predominantly on-line process will be: problematic for those who do not have easy access to the internet or who are not regular users; difficult for those who have either physical or mental health difficulties that may limit their ability to complete applications in this way.

**Monthly Payments**

5.8 We have the following concerns about the proposal to pay the new Credit monthly:

- Most benefit claimants are accustomed to managing their money on a weekly or fortnightly basis;
- Many will have regular bills, including utilities, set up on a weekly payment plan;

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173 *Universal Credit: welfare that works*, page 20, paragraph 31
174 *Universal Credit: welfare that works*, page 66, Annex 3
— Those who are vulnerable and those with support needs, including literacy and numeracy challenges, will find it particularly difficult and may be left with no income for the majority of the month;
— As benefit is usually paid in arrears then, potentially, claimants will have to wait a month before their first payment.

**Conditionality and Sanctions**

5.9 We note that the White Paper proposes a significant increase in the conditionality and sanction regime for claimants. Whilst we accept that benefit claimants should fulfil certain conditions, we are concerned that the punitive sanctions outlined may lead to significant increases in hardship, poverty and indebtedness. We welcome the reference to a continued facility for hardship payments for those who have a sanction imposed upon them. But we would have concerns if this is turned into a loan facility, placing an additional financial burden upon people who already have a limited income.

5.10 We have a specific concern about the sanctions for what are deemed to be the most serious failures, including payment ceasing for three months or longer. We note that serious failure may include failure to accept a reasonable job offer. There is no clarification or definition of “reasonable” and we contend that this leaves the way open for considerably subjective judgements to be made.

5.11 The White Paper states that there are no plans currently to extend the sanction regime to Housing Benefit. However, one of the changes proposed in the Emergency Budget in June 2010 was to reduce Housing Benefit by 10% for tenants in receipt of Job Seekers’ Allowance for more than a year. The SFHA is highlighting this apparent contradiction. The SFHA’s view is that any withdrawal of benefit should be related to the reason for paying the benefit, ie do not withdraw benefit related to housing costs because of unemployment.

5.12 The SFHA is disappointed that the Universal Credit proposal does not address:
— the actual costs of returning to work, including travel costs, tools for the job, clothing etc;
— child care costs;
— continuation of the Discretionary Housing Payment scheme, which has been an invaluable tool to help alleviate people in financial difficulty;
— whether it is desirable to compel claimants to take any job, even if it is not appropriate to an individual’s qualifications or experience;
— that taking part in a Workfare programme may limit time available to look for work and offer little practical training;
— the implications of increased levels of discretion on DWP staff to impose sanctions;
— the implications of a double migration of claimants, firstly from Income Support and Incapacity Benefit to Employment and Support Allowance in 2013 and then migration onto Universal Credit by 2017;
— the impact of the possible removal of In-Work Credit for lone parents and Job Grant;
— The challenges local authorities will have in administering a revised system of Council Tax Benefit within a reduced budget;
— The difficulties placed on local authorities to administer parts of the Social Fund.

6. **Delivery of a Reformed System**

6.1 The SFHA considers it vital that any reforms must take account of the interaction between devolved and reserved powers. Social Security legislation is reserved to Westminster but any changes will affect the residents of GB, including Scotland. Changes and restrictions to Housing Benefit could potentially impact on demand for housing and levels of indebtedness, and potentially increase homelessness. A number of the changes proposed to welfare benefits, including the Universal Credit proposal, have the potential to exacerbate this. All of this has implications for matters devolved to the Scottish Parliament.

6.2 For example, the Scottish Government has been committed to dealing with homelessness since 2005, when a ministerial statement was issued stating the aim of “abolishing priority need by 2012”. The changes being proposed to the welfare system have the potential to cut across this policy aspiration by making it difficult for low income households to sustain their tenancies. The Scottish Government may also have to factor in an increase in spending on services such as Housing, Social Work and Advice Services as a consequence of these changes; all at a time when the income they receive from Central Government is being reduced.

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175 Universal Credit: welfare that works, p.28, paragraph 14
176 Universal Credit: welfare that works, p.28, para. 13
177 SFHA Briefing on changes proposed to Housing Benefit and Local Housing Allowance, July 2010, downloadable using this link: SFHA Briefing on HB & LHA Changes Proposed
178 Universal Credit: welfare that works, p.23, para. 55
179 Universal Credit: welfare that works, p.20, para. 36
180 Universal Credit: welfare that works, p.47
6.3 The Scottish Government has established a Housing Benefit Stakeholder Group to examine the Scottish impact of the proposed changes to Housing Benefit and the Local Housing Allowance, with a view to submitting a report to the Department of Work and Pensions shortly. SFHA is a member of the Stakeholder Group.

7. **Concluding Comments**

7.1 It is the SFHA’s view that there is an opportunity now for the UK Government to invest in the economic recovery of the UK and to frame a welfare system that supports with dignity and respect those who cannot be economically active or who are unable to earn a living wage. 2010 is the European Year for Combating Poverty and Social Exclusion. The SFHA gave its support to the European Anti-Poverty Network’s call for a specific poverty reduction target to be included in the new Europe 2020 Strategy for Jobs and Growth.

7.2 While we welcome the UK Government’s statements that it wishes to tackle the root causes of poverty, we remain to be convinced that the White Paper on Universal Credit will assist in achieving this. It may deliver a less complex and bureaucratic system, but we are as yet unclear as to whether sufficient investment will be allocated to ensure that it helps to lift people out of poverty.

7.3 No welfare system in isolation, no matter how well designed, can create the sustainable economic environment that this country needs in order to ensure that no one need be caught in a cycle of poverty and deprivation.

*December 2010*

**Written evidence submitted by Mind**

We had previously commented on the consultation paper “21st Century Welfare” and a copy of this response is attached. We have considerable doubts about the general direction of the changes proposed and our comments seem equally relevant to the White Paper.

We would like to expand on our response to Question six, dealing with the role of the contributory principle. We are deeply concerned by the proposal to time-limit contributory ESA. In our view non-means-tested benefits for people with long-term mental health problems are an essential part of the system. Many such people rely on personal and emotional support from partners to be able to live in the community. Making partners wholly responsible for their financial support as well seems both unjust and self-defeating. It seems highly likely that the change would result in family breakdown in many cases and increased rates of hospitalisation and institutionalisation. Where this did not happen work incentives for the partners of people with long-term illnesses or disabilities would be dramatically worsened. All this seems directly contrary to the declared policy objective.

There is however a more fundamental objection. The proposal is that the Government should simply repudiate its obligations to a very large group of people, all of whom will have been paying National Insurance contributions for years and in many cases decades on the basis of what seemed like absolutely firm assurances of support if they were no longer able to work.

It is hard to imagine a Government reneging on its debts in this way in any other context. Financially no doubt there are equally good reasons for withholding pay or pensions from current and former Government employees or refusing to honour Government bonds. No such proposals have however been made and it would be very surprising if they were.

What is happening in fact is that a specific group of people has been targeted to have their rights withdrawn and that this group is defined specifically by the fact that all its members suffer from a long-term illness or disability. We find the implications of this very disturbing.

*December 2010*

**Written evidence submitted by Chron’s and Colitis UK**

This response is made on behalf of Crohn’s and Colitis UK, the working name for The National Association for Colitis and Crohn’s Disease (NACC).

Charity registered in England Number 1117148.
Charity registered in Scotland Number SC038632

1. **Crohn’s Disease and Ulcerative Colitis**

About 240,000 people in the UK have Crohn’s Disease or Ulcerative Colitis, collectively known as Inflammatory Bowel Disease (IBD). These are lifelong conditions that most commonly first present in the teens and early twenties (mean age at diagnosis is 29.5 years). In IBD, the intestines become swollen, inflamed and ulcerated. Symptoms include abdominal pain, weight loss, tenesmus (constant urge to have a bowel movement),
diarrhoea (sometimes with blood or mucus) and tiredness. Symptoms vary in severity from person to person and from time to time and may flare up or improve unpredictably. These symptoms can occur independently of the patient’s coping ability and may change significantly over time, regardless of the patient’s actions or other interventions. Consequently, people may have a pattern of moving between work and benefits according to fluctuations in their disease and the severity of their symptoms. Between 50% and 70% of patients with Crohn’s Disease will undergo surgery within five years of diagnosis. In Ulcerative Colitis, lifetime surgery rates are about 20–30%.

2. Crohn’s and Colitis UK

2.1 Crohn’s and Colitis UK is a major UK charity offering information and support to anyone in the UK affected by these conditions. Established in 1979 as a partnership between patients, their families and the health professionals caring for them, the charity’s services include four helplines, a website, a wide range of accredited information sheets and booklets and a nationwide network of locally-based Groups. The charity raises awareness of these little understood or known conditions, campaigns for improved care for patients, and funds vital research.

2.2 Crohn’s and Colitis UK currently has nearly 31,000 members. Membership is open to people who have Ulcerative Colitis or Crohn’s Disease, their families and friends, health professionals and anyone interested in supporting the work of the Association. Our response is based partially on research and survey results as well as on the anecdotal experiences of helpline staff who respond to approximately seven thousand queries annually.

3. Summary

3.1 Crohn’s Disease and Ulcerative Colitis are little known or understood conditions affecting about 240,000 people in the UK. Consequently, we are concerned that people living with these conditions are at risk of being disadvantaged by an oversimplified system which embraces conditionality and is firmly rooted in making work pay, without a recognition of the limitations imposed on people by the nature of their medical condition.

3.2 In our response to the DWP consultation document 21st Century Welfare, Crohn’s and Colitis UK welcomed proposals aimed at a fairer system to redress the complexity of the system and the emotional stress and anxiety caused when people move between benefits and work. However, this White Paper doesn’t appear to have addressed our main concerns, which can be summarised as:

— over-simplification;
— conditionality and sanctions;
— extra support for people with disabilities; and
— access to free prescriptions.

4. Over-Simplification

4.1 Whilst Crohn’s and Colitis UK welcome any attempt to redress the issue of complexity within the benefit system, particularly with the introduction of the single application form, there are concerns that the system presented here is one of over-simplification. The application process, and the subsequent assessment, must adequately measure the individual’s specific needs and an over-simplified system will make this very challenging for people with IBD who are required to present the multi-faceted impact of their condition. A failure in the system to gauge such information has the possible consequence of unsatisfactory decisions and as a result an increase in appeals, the cost of which will undermine the reduction in administrative costs and burdens.

5. Conditionality and Sanctions

5.1 The importance of an appropriate decision being made is amplified by the introduction of stricter conditionality and sanctions. Whilst Crohn’s and Colitis UK welcome a personalised approach to conditionality and acknowledge the benefits this may have in allowing the DWP to respond flexibly to the recipient’s needs, we have significant concerns about the delivery of appropriate conditions. The latter relies heavily on the responsible adviser and their knowledge of IBD when formulating the claimant commitment that is reasonable for the individual. Consultation with the individual is also imperative to ensure that the expectations outlined in the claimant commitment are reflective of the specific needs of the recipient. However, training and support for advisers is required to ensure that the disease and the needs of patients are adequately interpreted and considered.

5.2 The standards set out in the claimant commitment are likely to depend largely on the initial assessment. Proposals to assign extra conditionality for recipients of JSA are likely to have a disproportionate impact on people with IBD, who often find themselves placed on JSA due to difficulties arising from the work capability assessment. The significance of the initial decision, and the subsequent conditions assigned to the individual, are exacerbated by proposals to introduce tougher sanctions. Firstly, the statement that “having strong and clear sanctions are critical to incentivise benefit recipients to meet their responsibilities” signifies a fundamental lack of understanding of IBD and its impact on the individual. The unpredictable and fluctuating nature of IBD can, at times, significantly undermine the individual’s capacity to undertake the activities expected of them. Thus,
for the majority, the problem is not one of incentive and imposing sanctions on an individual whose illness constrains their ability to meet their conditions is inappropriate and ineffective. This reinforces the importance of ensuring the specific needs of the individual are captured in the claimant commitment, and that matters such as flexibility and adequate communication channels are accounted for.

5.3 Proposals to replace hardship payments with loans present a major concern particularly for people with life-long conditions such as IBD. The statement that this replacement will “help incentivise people to meet their commitments” is again indicative of a lack of understanding of IBD and its effects on patients. For those people with IBD whose condition restricts their ability to meet the expectations of their claimant commitment, harsh sanctions may result in the need to acquire a hardship loan. The consequence of this process is likely to be an exacerbation of the economic difficulties already encountered by many people attempting to manage a chronic illness. Loans are therefore inappropriate for those people with life-long and fluctuating conditions who have no control over when or if their condition is likely to flare up and render them unable to work.

6. Extra Support for Disabled People

6.1 Crohn’s and Colitis UK welcome any additional assistance for disabled people, such as the additional financial resources attributed to disabled people in excess of the basic personal amount. However, linking this to entitlement for Disability Living Allowance is problematic for people with IBD, many of whom are turned down for this benefit because the disabling symptoms of Inflammatory Bowel Disease fall outside of the eligibility criteria for DLA. In order that the DWP achieve the “fair” system they aspire to, the assessment process will need to account for conditions of which there is currently little understanding, such as IBD, to ensure that these additional awards are fairly distributed across all groups who need them.

6.2 Proposals to provide encouragement and support to people considering a move into self employment could be very beneficial to those people with IBD who feel this type of employment would assist in finding a balance between work and an unpredictable, fluctuating condition. In addition, plans to hold open an individual’s account for some time after the transition into work are welcomed. However, the suggested time period of three months may need to be explored further, particularly with fluctuating conditions in mind and for people with conditions such as IBD, for whom the majority will need hospitalization and/or surgery at some point to treat their condition. Furthermore, the additional support that will be granted to people moving into part-time work will assist those with long-term conditions who find this type of employment will allow them to better manage their condition as opposed to entering full-time work. Nevertheless, as responsibility for determining what support is necessary falls with the Jobcentre Plus adviser, a thorough understanding of IBD will be necessary to guarantee an informed decision.

7. Free Prescriptions

7.1 Neither Crohn’s Disease or Ulcerative Colitis are conditions which entitle patients to free prescriptions, despite the fact that many people need life-long medication to control their illness and protect them from potentially life-threatening complications. Crohn’s and Colitis UK are campaigning for a reform of the current criteria to include all long-term conditions such ad IBD however, in the meanwhile, we are concerned by proposals to overhaul the rules on access to passported benefits such as free prescriptions and ask that any changes to entitlement are informed by and meet the needs of people living with such conditions.

8. Conclusion

8.1 Crohn’s and Colitis UK are concerned that these proposals are based on an underlying lack of understanding of the needs and experiences of people with Inflammatory Bowel Disease and the effect that these conditions have on their capability for work. Consequently, there is a risk that people living with Crohn’s or Colitis will be further disadvantaged by an oversimplified system which embraces conditionality and is firmly rooted in making work pay, without a recognition of the limitations imposed on people by the nature of their medical condition.

8.2 Crohn’s and Colitis UK welcome the commitment made to work with patient organizations such as Crohn’s and Colitis UK. We would be willing to work with the Department to raise awareness of the experiences and needs of people living with IBD, to inform a system which recognises and is responsive to the limitations imposed on them by their condition. We are currently undertaking a comprehensive study exploring the relationship between IBD and work, and would welcome the opportunity to share our findings.

December 2010
Written evidence submitted by Turning Point

1.0 Introduction

1.1 Turning Point welcomes the opportunity to respond to the Work and Pensions Committee consultation on the “Universal Credit: Welfare that Works” white paper. We are specifically supportive of the committee’s focus on addressing the areas within the White Paper which require further development; this is a concern as we must be cautious that the unintended consequences of welfare reform do not cause further harm to the wellbeing of the long-term unemployed. The consultation specifically asks for the areas which respondents feel have not been given adequate attention within the White Paper. Turning Point believes there is room for further details of the support that can be established to not only help people find employment but also offer a timely intervention to prevent people from exiting employment through long-term sickness absence.

1.2 Turning Point is a leading health and social care organisation. We focus on the individual in everything we do and specialise in providing services for people with complex needs, including those affected by substance misuse, mental health problems and those with a learning disability.

1.3 Turning Point provide employment programmes and personalised, work-focused support for people with substance misuse issues, mental health needs, people with a learning disability as well as people with offending histories.

Summary of Key Recommendations

1. In times of high unemployment it is easy to forget that there are two-tiers of the unemployed, those who are close to the labour market and those who are not. The causes of long-term unemployment must be fully understood before it is tackled, the Work Programme will be fundamental in this but the White Paper should have a greater focus on how sanctions can be matched with adequate support.

2. The importance of resilient and robust mental health to both gaining and retaining employment cannot be forgotten. Effective support to tackle long-term unemployment while also supporting people who may be close to exiting employment has to take into account the holistic needs of the individual.

2.0 In times of high unemployment it is easy to forget that there are two-tiers of the unemployed, those who are close to the labour market and those who are not. The causes of long-term unemployment must be fully understood before it is tackled, the Work Programme will be fundamental in this but the White Paper should have a greater focus on how sanctions can be matched with adequate support

2.1 There are two principles behind the Universal Credit; it intends to reduce the complexity of the system while also addressing the high-number of people who are long-term unemployed. Recent statistics suggest that 2.5 million people in the UK are unemployed and this high level is reflective of the difficult labour market the unemployed are competing in, as well as the challenge faced by services to support the long-term unemployed progress towards the labour market.

2.2 Turning Point believes the dual approach behind the Universal Credit is necessary both for the savings it will make for the state and also to help people realise their potential. Nevertheless, it is important that any reform of the welfare system is undertaken in parallel with understanding the key contributory factors which can lead to long-term unemployment. It is only when these factors are addressed that any progress can be made in challenging welfare dependency. In a time of high-unemployment, it is possible that two-tiers of the unemployed will be created, those who are fairly well skilled and remain close to the job market; and those who have never been close to employment and will be marginalised even further by the increased competition for jobs. The Work Programme will be fundamental in addressing these concerns; nevertheless, the White Paper should have a greater focus on the support that will be offered to address the holistic needs of the long-term unemployed.

3. The importance of resilient and robust mental health to both gaining and retaining employment cannot be forgotten. Effective support to tackle long-term unemployment while also supporting people who may be close to exiting employment has to take into account the holistic needs of the individual.

3.1 Just as those who are migrated away from ESA require support, so do those who are close to exiting from employment through long-term absence. This suggests that a two-pronged approach rooted in early intervention is needed, one which supports the long-term unemployed get the support needed to progress them towards the labour market, as well as a parallel approach which will support those in employment who are experiencing difficulties which may eventually lead them to exiting the labour market.

3.2 Addressing mental health conditions is crucial to this approach, mental ill health costs £105 billion a year in England, with £30–40 billion of this lost attributed to lost productivity and NHS costs. Mental health is also recognised as the most common reason for claiming health-related benefits with 86% remaining on benefits for more than three months (compared to 76% for other claimants).181

3.3 Therefore, it is important that support offered to the long-term unemployed addresses the mental health needs of the individual. Nevertheless, the reasons behind unemployment are complex and each individual will have their own explanation for why they are long-term unemployed. Sustaining employment is dependent, amongst other things, on having stable housing, freedom from substance misuse and mental health difficulties, a positive social network, as well as the right mix of skills required by the employer. Support for the unemployed needs to be flexible enough to respond to these demands.

3.4 Turning Point believes our Rightsteps Employment model offers a service which can address the needs of both the long-term unemployed as well as those who are close to exiting employment through long-term sickness absence.

3.5 Rightsteps Employment

Rightsteps is Turning Point’s Improving Access to Psychological Therapies (IAPT) model, which provides assessment and holistic support for common mental health difficulties. Rightsteps Employment uses the Rightsteps model and is intended to provide a flexible response to address the challenges which are preventing individuals from either finding employment or leave them at risk of exiting employment.

We believe that Rightsteps Employment offers a personalised service that fully supports the individual in their search for employment. The model is also able to respond to the very different needs of people with low-level mental health requirements who are perhaps becoming regular absenteees at work and need a small amount of support to enable them to address these problems.

Within Rightsteps Employment model, support is given to the individual to address their mental health condition, learning disability or substance misuse issues while also promoting interventions which improve their employability. These interventions can range from low-intensity advice on the basics of looking for a job to more intensive support, such as counselling in how to manage stress and problem-solving. An initial telephone assessment highlights any personal difficulties an individual is facing and helps to speed-up the referral process. The service also highlights any sources of outside support available and, as such, can respond to the needs of both the long-term unemployed and those who are closer to gaining employment.

The key to Rightsteps Employment is that it offers a support service which is easily accessible; this means that people would be able to get support as soon as it is needed.

3.6 Rightsteps Employment can help support people both into employment and also support them to remain in employment. In addition to the human benefits of this, there are positive effects for the state by reducing benefits while also increasing tax revenue. Similarly, when Rightsteps Employment is applied to those who are at risk of losing employment through unaddressed personal challenges, it can also help to support people become more engaged in their employment and therefore more productive.

4.0 Cost-Benefit of Rightsteps

4.1 These benefits can be seen in the cost-benefit work Turning Point has recently had completed on the Rightsteps model by the London School of Economics’ Personal Social Services Research Unit. Findings suggest the model has the potential to respond to the increasing demand for employment-related support.

Analysis found that a cost-benefit ration of £3.35 was gained by the Government for every £1 invested. This included reduced benefit payments, increase tax revenue and reduced costs to the NHS.

From Society’s perspective a cost-benefit ratio of £3.43 was gained for every £1 spent. This incorporates savings through increased employment and productivity while in employment.

The analysis also found improvements in the mental health of Rightsteps patients during the course of the treatment. On average, depression scores improved by 11.6%, anxiety scores by 11.4%, phobia scores by 8%.

4.2 It is clear that Rightsteps as a model can be applied to address common mental health conditions. We believe that the flexibility of the model can be used to identify and navigate around the complex needs of those who are unemployed or at risk of becoming unemployed.

5.0 Conclusion

5.1 In response to this consultation, Turning Point would again emphasise the need for support to address the high-levels of people dependent on benefits. Nevertheless, it is important that sanctions are not the only method used. This will have unintended consequences by ensuring that people further disengage from any avenues of support while also strengthening the grip of poverty on workless households. The effects of this would be felt for years to come. What is needed is an approach which identifies and addresses the contributory factors to long-term unemployment while also seeking to prevent people from exiting employment through long-term absence. The Work Programme will be crucial in building a foundation of support for the unemployed and must also provide easily accessible and personalised support which understands that each long-term unemployed person will have their own challenges which obstructs employment.

December 2010
Written evidence submitted by Oxfam

SUMMARY

1. Our response consists of two main elements: specific concerns around the proposals outlined in the White Paper, particularly around gender; and identifying areas in which detail or explanation of rationale is lacking, and we believe the Committee should request further information from the government.

ADDITIONAL INFORMATION

2. Oxfam have already put on record many of our comments and concerns around Universal Credit in our response to the Department for Work and Pensions consultation paper (attached, and also available at http://www.oxfam.org.uk/resources/policy/right_heard/response-to-21st-century-welfare.html). In our evidence, we also refer to a gender analysis of the same paper, which was commissioned by Oxfam, and written by Janet Veitch, with assistance from Fran Bennett (attached, and also available at: http://www.oxfam.org.uk/resources/policy/gender/gender-perspective-welfare-reform.html).

3. We have also set out our broader principles on welfare reform in a briefing paper from June 2010 (attached, and also available at: http://www.oxfam.org.uk/resources/policy/right_heard/struggling-with-the-system-welfare-reform.html). In addition, we published a report in April 2009 on the experiences of people in Clydebank, West Dunbartonshire affected by the transition from Incapacity Benefit to Employment and Support Allowance, which holds important lessons for ongoing welfare reform, and which has informed our thinking and understanding in this area (attached, and also available at http://www.oxfam.org.uk/resources/ukpoverty/downloads/To%20banker%20from%20banksies.pdf).

IMPACT UPON WOMEN

4. We have particular concerns around the ways in which the proposed reforms will impact upon gender equality, and on the livelihoods of women living in poverty.

5. Calculating and making payments at the household level is problematic. Household assessment and payment assumes that money coming into the household is shared equally between men and women in couples. Research on intra-household allocation of resources suggests that this is not a safe assumption. We would like to see the government explain why it has chosen a single household payment, rather than, for example, splitting payments intended for adults equally between both halves of a couple.

6. In addition, research shows that money going into the family via the “purse” (ie women) rather than the “wallet” is more likely to be spent on children’s needs. We welcome the commitment in the White Paper (Annex 3, paragraph 10) to explore continuation of payment to the main carer of support for children, as occurs currently under Tax Credits. It is crucial that money intended for children continues to be paid to their main carer (usually women), as otherwise this risks damaging children’s welfare, as well as negatively impacting upon women within couple households.

7. In terms of assessment at a couple level, it is important that the government explains how the household unit is to be designated, and why. Family units can be chaotic, with people moving in and out of the household regularly, and it is crucial that the government takes account of “new” rather than merely traditional family forms.

8. We were pleased to see that Child Benefit is not to be included in the Universal Credit, and therefore means-tested. Child Benefit is particularly important for women, as a source of independent income for individuals which is unaffected by a partner’s income. For that reason, we urge the government to refrain from further means-testing of Child Benefit, and to retract existing plans to means test. It and other universal benefits not only help to provide independent income for women in different family types, but also help to promote solidarity in social protection.

9. In order to protect the principle of universal Child Benefit, it must not be included in the overall benefit cap calculation. Child Benefit is intended to be ring-fenced as a universal benefit for children, and so should not be considered for purposes of capping income at the household level. We urge the government to give assurances that it will not introduce means-testing of Child Benefit through the back door through such a mechanism.

10. It is crucial that barriers to women’s employment are considered, beyond the limited (though crucial) “better off in work” aspect upon which Universal Credit focuses. In particular, childcare must be taken into account—in terms of quality, affordability and accessibility. Investment in such childcare should be prioritised. Where government supports childcare financially, it must be with the aim that work incentives for those whose employment is contingent on childcare support are at least as favourable as for other people claiming Universal Credit. Regrettably, this is not the case in any of the proposed mechanisms for paying for childcare. The likely effect will be to make work pay less particularly for lone parents and for second earners in households with children—in both cases, probably women. We would like to see the government explain the rationale for making work less affordable for such groups. More broadly, this should be considered in the context of the gender pay gap, and the fact that women are more likely to be in low-paid employment.
11. Finally, it is crucial that proposed changes to conditionality do not impact disproportionately upon women. More stringent conditions are likely to hit carers harder, especially parents bringing up children alone (mainly women). We would like the government to explain what will be done to minimise the impact of sanctions on children living in families affected by sanctions. Even if sanctions on lone parents will be capped, when they already live below the poverty line this is nonetheless unacceptable. What has the government done to assess the impact of sanctions, eg use of loan sharks, petty crime, or homelessness?

12. We would urge the government to incorporate into its “reasonable job offer” test that parents with childcare needs not be required to work for a lower incentive than the standard taper under Universal Credit, once childcare costs have been taken into account. Quality and accessibility of childcare must also be taken into account before any sanctions are applied.

**Areas in which Explanation is Required from Government**

13. Absent from the White Paper is any explanation of the government’s long term plan for the welfare system. We would encourage the Committee to request such a plan from government. This should address in particular what levels of benefits, tapers and conditionality will be set at in the future. This is of crucial importance as benefits and work incentives are both being set at lower levels than are consistent with a decent income in the case of benefits, and the incentives to work for the highest rate tax payers in the case of work incentives. We are told that this is due to a lack of resources in the current fiscal climate. The government should therefore explain how it sees the trajectory for these in the longer term.

14. The government must also explain what it has planned in terms of short term, transitional safeguards. This applies to those who will have weaker work incentives under the new system. It also applies more broadly to people on low incomes who will find their existing budget-management tools removed, and who will be especially vulnerable to system failure now that there is only going to be one payment. This is particularly pertinent to women, who tend both to be household budget managers in low income households, and to act as “shock absorbers” at times of crisis, going without in order to protect other members of the household. In particular, the government must explain what support along the lines of the current Social Fund is going to look like, and how it intends to meet the need for additional support or education for people to up their skills in budget management and financial planning.

15. Given the risks to people living in poverty of its failure, it is imperative that an independent evaluation is carried out of the planned IT system for handling Universal Credit. The government should explain whether this has occurred.

16. We would also like reassurances from the government of how, in light of plans to deal with a far higher proportion of administration online under Universal Credit than under the current system, it plans to address issues of digital inclusion. At present, partners with whom Oxfam work have asked for more face to face contact not less. This particularly includes vulnerable groups such as women escaping violence, and some BME groups. The latter are among the groups who will need assistance in filling in forms, and who could be excluded by an automated system.

17. The government must provide an explanation of how it plans to match its undertaking not to further reduce the value of benefits with action. Promises in place do not match with the reality of movement from RPI to CPI uprating, and stealth cuts through changes to Housing Benefit.

18. In its proposals for the extension of conditionality, the government proposes to use the threat of extreme sanctions, up to and including the threat of destitution, to coerce people into work. It is unacceptable for the government to remove—or to threaten to remove—the basic right to social protection from anyone. Additionally, research shows that, while sanctions unequivocally cause severe hardship, and contribute towards increased crime rates, their impact on employment is at best mixed, and can lead to worse outcomes in the future. This needs to be flagged up to ensure there is equal responsibility on both sides of the relationship between society and benefit claimants if conditionality is to be expanded.

19. These proposed sanctions are, to a large extent, at the discretion of personal advisers. The government should outline how it plans to ensure that the rights of claimants within the system are upheld—for example through a contract of welfare rights for individuals—especially in the context of the greater responsibilities they are to be asked to fulfil. At present, many people are not aware of their rights or on how to complain. This needs to be flagged up to ensure there is equal responsibility on both sides of the relationship between society and benefit claimants if conditionality is to be expanded.

20. The government must provide an explanation of the logic behind proposed earnings disregards. Proposals (in Annex 3) are to remove earnings disregards entirely from single, childless adults, while childless couples are to have theirs increased substantially. Yet no rationale is given for this step, which will have an enormous financial impact upon millions of people.

21. Under the proposals for Universal Credit, the state undertakes to subsidise low-paid work in order to make such work a viable financial option for more people. In addition, the government proposes, through the Work Programme, to pay the costs of getting people on benefits “work ready”. This amounts to a substantial
increase in corporate welfare. The government should explain how it intends to ensure that employers—especially large, profitable employers—are to fulfil their side of this new social contract.

December 2010

Written evidence submitted by Northern Ireland Welfare Reform Group


About the Welfare Reform Group

The Welfare Reform Group is an umbrella grouping of organisations that campaigns for positive changes to policy, service provision and legislation for those in receipt of social security while also providing advice and support to other advice giving organisations and disadvantaged persons in their capacity as individual members of the Group.

The Group supports an equality and human rights-based approach to the provision of social security which demonstrates an understanding of and focus on the needs and choices of all in receipt of benefits.

This response has been prepared by the following organisations:

Law Centre NI.
Gingerbread NI.
Women’s Resource and Development Agency.
Save the Children.
Age NI.
Advice NI.
Council for the Homeless NI.
Disability Action.
Access to Benefits.
Northern Ireland Council for Voluntary Action.

1.0 Introduction

1.1 The Welfare Reform Group welcomes the Government’s stated objective in the White Paper to simplify the benefits system and improve incentives to make work pay. Measures to improve incentives to work is also welcome, however, the lack of detail that informs these developments means we have no way of knowing whether the government’s objectives will be achieved. The Group is concerned that Universal Credit will be unable to address the true cost of work because there is insufficient detail on how, for example, childcare costs, carers allowance, rate rebates (in Northern Ireland), passport benefits and mortgage interest will be integrated into Universal Credit.

1.2 The White Paper should be considered in tandem with the changes and cuts already announced in the June Budget and the Comprehensive Spending Review. The impact of the changes already announced cannot be separated from an analysis of the White Paper proposals. In particular, the White Paper talks of no one losing in cash terms at the point of change yet, many claimants will have been affected by proposals already announced by the time Universal Credit is introduced in October 2013. It is vital that the government produces clear and transparent information about how the new system will work in practice and ensure robust safeguards for people who will need support with this transition.

1.3 This evidence focuses on a number of issues particular to Northern Ireland and gives further detail of our thoughts on particular areas of policy proposals.

2.0 The Northern Irish Context

2.1 Northern Ireland has particular circumstances with regards to social welfare and arrangements to move people into employment. The approach to social security, training and employment programmes is divided between two government departments: the Department for Social Development (DSD) is responsible for social security benefits whereas the Department for Employment and Learning is responsible for training and employment programmes. This is in contrast to Great Britain where both areas are handled through the Department for Work and Pensions. Furthermore, there are notable differences in the the scope for deductions from benefits and divergent arrangements for assessing student’s entitlements to means tested benefits.
2.2 In addition, Housing Benefit arrangements in Northern Ireland differ significantly from those in Great Britain. There is no equivalent to Rent Officers; instead all arrangements are made by the Northern Ireland Housing Executive (NIHE). Local Housing Allowance is also administered differently in Northern Ireland, with the continuation of direct benefit payments to landlords in approximately 25% of cases.182

2.3 A recent report by the institute of Fiscal Studies found that, after London, Northern Ireland, will be the hardest hit by tax and benefit cuts announced and to be implemented between January 2011 and April 2014/15.183 Northern Ireland will be particularly badly hit because of the high proportion of people relying on Disability Living Allowance and families who will see reduction in benefit.

3.0 Welfare Dependency

3.1 The White Paper uses the phrase “welfare dependency”, a term which echoes the sentiments of the social security debate of the 1980s. This phrase portrays claimants as a homogenous group, implying that claiming benefit is a conscious lifestyle choice for claimants. Large numbers of claimants are in receipt of benefit due to full time caring responsibilities, disability, chronic ill health, recent unemployment, age and an array of additional circumstances. The use of such language fails to recognise the various needs and complexities being met within the benefit system and negatively portrays claimants in a way that is neither helpful nor warranted.

4.0 Carers

4.1 We note that the government is still considering whether changes to Carer’s Allowance will be necessary to take account of the introduction of Universal Credit. It is important to recognise the pivotal role carers play in providing community care within society. The Northern Ireland Life and Times Survey 2006 findings suggest that informal care is increasingly being provided only and within the immediate family184 and it is estimated that carers in Northern Ireland are missing out on £4 million in unclaimed benefits. It is vital, therefore, that the needs of carers, particularly informal carers, are taken into account when developing Universal Credit and that resources are directed to ensuring that carers are aware of the support and resources available to them.

5.0 Benefit Levels

5.1 The Welfare Reform Group is also concerned about the amount of benefit individuals will receive. The coalition government has yet to produce figures on how the Universal Credit will be calculated and we will continue to monitor this matter closely. We do note that the IFS report, in its initial assessment of charges announced in the June Budget, states that £1.2 billion in 2011–12 rising to £5.8 in 2014–15 would be saved by uprating benefits other than retirement pension and pension credit in line with the Consumer Price Index rather than Retail Price Index.

6.0 Earnings Disregard

6.1 The Welfare Reform Group supports the principle of earnings disregards that will ensure people are better off in paid employment. We support a taper which represents a lower level than the combined rate that many people on low incomes currently face. However, as Family Action has recently pointed out childcare and council tax arrangements in Universal Credit may actually mean work incentives will deteriorate rather than improve for many households under Universal Credit. We support Family Action’s recommendation that an overall taper rate of 55% outlined in the Centre for Social Justice’s report Dynamic Benefits may be a better starting point. We further welcome the more generous “earning disregard” for some families to include disabled people and couples with children. We would welcome further information as to the other groups to be included in this measure. We strongly recommend the inclusion of lone parent families within the group. We fail, however, to understand why the work incentives for most single people of working age should be made even less generous than the current niggardly provision.

6.2 At present the Office of First Minister and Deputy First Minister is discussing with other departments the potential of an Earnings Disregard pilot as a means of increasing employment rates and reducing child poverty levels. There is recognition that support including proper childcare, education and training is needed to make it feasible.

7.0 Conditionality and Sanctions

7.1 We are concerned that a significant feature of the new credit will be the application of conditionality. Individuals capable of work will be obliged to do so as a requirement of receiving benefit and those failing to do so will face financial sanctions. We seriously question the introduction of increased conditionality in a time of economic downturn and increasing unemployment. Due consideration should be given to the capacity of the employment market in this current economic climate. The Northern Ireland rate of unemployment from July to September 2010 was estimated at 7.0%, while Northern Ireland’s working age employment remains well

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182 Email statistic from Northern Ireland Housing Executive. Copy held on record at Law Centre (NI), Policy Unit. Received 30/07/09
183 James Browne., IFS Briefing Note 114 The Impact of Tax and Benefit Reform to be introduced between 2010–11 and 2013–14 in Northern Ireland pg 4
below the UK average and was the lowest of the 12 UK regions. Furthermore, a Ulster Bank report has highlighted the growing divergence between the Northern Ireland and UK economy suggesting a longer time of recovery in Northern Ireland. Current support needs are not being met for key groups, including people with disabilities and older people. Additional conditionality without targeted, effective support is not likely to lead to greater success for older or disabled jobseekers in gaining and sustaining employment.

7.2 This increased conditionality for many vulnerable people will result in the worrying loss of benefit either temporarily or more permanently. The financial sanctions outlined range from cessation of payment of benefit from one week to three years depending on the severity of the apparent breach. We do not support the introduction of these sanctions as such developments are shown to harm claimants’ opportunity to enter employment. We instead support the introduction of adequate safeguards to encourage and support claimants rather than penalise claimants. For example recognition has to be given to the need for jobs to be available, also for those individuals who are further removed from the labour market, ie individuals who are long term unemployed, disabled individuals, specialised supports and training is required. Recent evidence from the Joseph Rowntree reveals that “equal access to programmes and services does not mean equal quality in those provision, nor does it necessarily lead to equality in outcomes” and “sanctioned claimants are less likely to enter sustainable employment or make longer term gains in employment”. Further evidence suggests that sanctions disproportionately impact on specific groups, particularly those with learning disabilities, mental health problems and literacy difficulties. Northern Ireland has a particularly high proportion of people with mental health issues per head of population. It has been estimated that around a quarter more people suffer from mental health disorders in Northern Ireland than in England and Scotland.

7.3 Moreover, a little noted part of the enhanced sanctions regime is that in some cases, even if a claimant engages with a particular programme after being sanctioned, he or she still has to serve the full term of the sanction, see for example the Mandatory Activity Programme. We fail to see how this will encourage re-engagement. We also believe such a proposal is wrong in principle. Where benefits are the only means of income for an individual or a family and are relied upon for the provision of food shelter and warmth any sanction in these circumstances would be detrimental to the physical and mental wellbeing of the individual as well as the rest of the family including children. Attention should also be given to the wider consequences of sanctions which may lead to or exacerbate other issues such as marital breakdown, drug or alcohol dependency and mental health problems. The suggestion of replacing hardship payments with loans is a further retrograde step.

8.0 Reducing Error and Fraud

8.1 We welcome the concept of the move towards reducing error and fraud. A practical starting point would have been to separate these two concepts. The Welfare Reform Group is concerned, however, by the measure to introduce a £50 civil penalty for those who fail to report changes of personal circumstances. We deem this to be a punitive measure. This proposal fails to take account of inadvertent and innocent errors made by claimants and may adversely impact those with literacy, mental health and learning difficulties. We support a tailored approach to the claimant that recognises and respects an individual’s capacity and provides personalised support.

8.2 We also have reservations about the proposal to increase the maximum rate at which fraud debts can be recovered through deduction from benefits by almost 25%. We would welcome clarification as to whether this will apply to the recovery of Official Error overpayments. There is a high risk of passing administrative errors of the new system onto the claimants. We recommend that there needs to be protection from debt recovery due to official error for the most vulnerable claimants.

9.0 Older People

9.1 The most recent statistics have illustrated a growth in the level of pensioner poverty in Northern Ireland. Approximately 23% of older people in Northern Ireland are living in poverty after housing costs (AHC) compared to 16% in the UK, and two-fifths of single pensioners and a fifth of pensioner couples have no income other than the state retirement and state benefits. These proportions are more than double those of Great Britain. In addition, it is estimated that up to 44% of those entitled to claim pension credit are not. Average weekly unclaimed benefit is estimated to amount in the range of £1.2 million to £2.3 million. Research about the reasons for low uptake shows this is because of factors including, perceived ineligibility, the complexity of the benefit system, the claims process and lack of awareness. We would, therefore, welcome

185 Department of Trade and Investment NI Monthly Labour Market Report November 2010
186 Ulster Bank, Business Activity Report July 2010
191 Ibid
further clarification as to the relationship that will exist between Pension Credit and Universal Credit to include criteria for entitlement and the process of transition between the two benefits.

9.2 We are concerned by the technology based element of this benefit. We welcome the assurance that alternative access will be offered, however, we are concerned that face to face access channels will be undermined due to cost considerations. We wish to highlight that online and telephony may not be appropriate communication channels for many vulnerable clients due to age, a disability or mental health conditions, literacy or language difficulties. In addition, there is a presumption that there is a ready computer access for claimants, however, many individuals do not possess the necessary financial resources to access or maintain a computer.

9.3 We would welcome further information about alternative methods of access that will be available to vulnerable claimants. The Office of First Minister and Deputy First Minister has just published a draft Northern Ireland Child Poverty Strategy for consultation which outlines the key priorities of reducing worklessness and promoting long term outcomes through child based interventions designed to tackle the cyclical nature of child poverty.

10.0 CHILD POVERTY AND LONE PARENTS

10.1 More than a quarter of all families with dependent children in Northern Ireland are headed by a lone parent and research shows that they have the lowest standard of living of any household type.\(^\text{194}\)

10.2 We note the government’s projection that in Britain 350,000 children and 500,000 adults will be lifted directly out of poverty. We would welcome further clarification as to how Universal Credit will help to meet the targets identified in the Child Poverty Act 2010.

10.3 We have reservations that many of these proposals may counteract the goal of ending child poverty and the objectives of the Child Poverty Act, for example, the use of sanctions on lone parents and possible termination of passport benefits. Facilitating parents into good quality, well paid work and sustainable employment are important measures in meeting targets concerning child poverty. There are concerns about the potential impact on child poverty if lone parents are exposed to the risk of benefit sanctions. This presents real concerns that implementing Universal Credit in Northern Ireland will lead to a potential negative impact on family life and an adverse impact on women in particular who are the majority of lone parents, will be affected most by the lack of adequate childcare. To mitigate the potential impact to a degree, there should be increased investment in childcare provision in Northern Ireland as part of the wider UK welfare reform.

10.4 Northern Ireland does not have sufficient childcare infrastructure in place to facilitate this envisaged large-scale move to work. Unlike in England and Wales, where the Child Care Act 2006 imposes a duty on local authorities to identify and meet childcare needs, Northern Ireland has no corresponding childcare legislation and there is no statutory obligation on local or public authorities to provide high quality and affordable childcare. Research into childcare provision has found the conditions here in Northern Ireland to be “woefully inadequate”. The barrier this place on parents’ ability to enter the workplace cannot be underestimated. We believe it is necessary to strike a balance between promoting employment and supporting family life. The Universal Credit will fail to get the targeted people into work if these barriers to the workplace are not effectively broken down.

11.0 IN WORK POVERTY

11.1 A new report by the Joseph Rowntree Foundation had highlighted that child poverty in working households must be given the same priority as out of work poverty. The “Monitoring Poverty and Social Exclusion 2010” report observed that while whilst the number of children living in poverty in workless families fell, the number in working households.\(^\text{195}\) It is therefore important to recognize that work alone is not necessarily a direct route out of poverty.

11.2 The IPPR has also identified that “in work poverty is linked to family type and working pattern as well as ethnicity and place”.\(^\text{196}\) It is often women who take up low status and low quality jobs which exacerbates further the gender segregated labour markets. Women continue to be concentrated in the 5 “c”s—cleaning, caring, cashing, clerical and catering and, moreover, 83% of all part time workers in Northern Ireland are women.\(^\text{197}\) Therefore, it is important to understand that entry into work and participation in the labour market is not equal and that inequalities exist, particularly, in relation to the gender pay gap and in work poverty.

12.0 HOUSING BENEFIT

12.1 Housing Benefit forms a large proportion of UK welfare expenditure. This reflects not only those living in social housing but growing numbers of low-income tenants living in the private rented sector. This sector is


\(^\text{195}\) Anushree Parekh, Tom MacInnes and Peter Kenway., Monitoring Poverty and Social Inclusion . Joseph Rowntree Report December 2010

\(^\text{196}\) IPPR ‘In work poverty in the recession’ Briefing Note, Glenn Gottfried and Kayte Lawton September 2010

\(^\text{197}\) Evidence received by Women’s Resource and Development Agency
a rapidly increasing form of tenure in Northern Ireland due to the reduction of social housing stock through “Right to Buy” legislation and the failure to meet new build targets. This failure is a direct consequence of a policy shift away from providing housing capital subsidy and therefore low social rents to increased individual housing cost subsidy.

12.2 The White Paper commitment to improving work incentives and remove major impediments to entering work is particularly welcome, however, the immediate and long term changes to housing benefit are likely to erode work incentives.

12.3 Further clarification is needed as to the SMI and HB amounts that will be made available under Universal Credit in light of the cap on household benefit payments announced in the Spending Review. We believe that will have an adverse impact on larger families with children and may lead to cases of rent arrears and homelessness.

12.4 Direct payment of the housing benefit component to individuals may not be appropriate in Northern Ireland and requires further investigation before practical implementation. Local Housing Allowance introduced a new way of calculating Housing Benefit in Northern Ireland for the majority of tenants in the private rented sector. The overall experience of LHA has generally been positive, particularly in light of the Northern Ireland Executive’s decision not to introduce direct payments to tenants. This decision has avoided some of the problems being experienced in Great Britain.

12.5 We agree that there are many policy and operational issues to work through in respect of housing. We look forward the publication of further information on this matter in due course.

13.0 Passport Benefits

13.1 The Welfare Reform Group is deeply concerned by the possible withdrawal of access to a range of passported benefits which provide important assistance to individuals and families alike. We would welcome clarification as to entitlement based on an income or earnings threshold. We further welcome clarification as to whether the effect of the withdrawal of passport benefits will be shielded by the principle that no one shall be worse off under Universal Credit. We would also welcome further information about the way in which passport benefits will be administered outside of Universal Credit for example in relation to Pension Credit.

14.0 Conclusion

14.1 The Welfare Reform Group welcomes the opportunity to respond to the Work and Pension Committee White Paper consultation. We trust that you will find our comments helpful. If there is any further way in which we could contribute to this process we would welcome the opportunity to do so.

Written evidence submitted by Grandparents Plus

Grandparents Plus is the national charity which champions the vital role of grandparents and the wider family in children’s lives—especially when they take on the caring role in difficult family circumstances. We work to support grandparents and the wider family by:

— Campaigning for change so that their contribution to children’s wellbeing and care is valued and understood.
— Providing evidence, policy solutions and training so that they get the services and support they need to help children thrive.
— Building alliances and networks so that they can have a voice and support each other, especially when they become children’s full-time carers.

1. Grandparents Plus welcomes the opportunity to submit evidence to the Committee on the proposals set out in the Department of Work and Pensions White Paper Universal Credit: welfare that works.

2. We support the aims of the reforming welfare to make the benefit system fairer and simpler and to make work pay. We particularly support the extension of disregards to enable some groups to earn significantly more before their benefit begins to be withdrawn. However we have a number of concerns and questions about how the new system works.

Background: Grandparents and Other Family and Friends Carers

3. Our main concerns centre around the implications of the reforms for grandparents and other family and friends carers who are raising children when the parents are unable to do so and would otherwise be in care. There are estimated to be around 200,000 family and friends carers in the UK, who are bringing up children as a result of very difficult family circumstances such as parental death, drug or alcohol abuse, severe disability or illness, imprisonment or child abuse or neglect. Most family and friends carers and the children they are raising are not officially recognised or counted (apart from the small minority who are legally recognised as
4. We are particularly concerned that reduced benefit entitlements combined with local authority spending cuts will impact negatively on this group and lead to placements breaking down and more children going into care. It would cost £12 billion each year in care costs alone the children they care for were in the care system. Even a 10% reduction in family and friends care would mean an additional cost of £800 million to the taxpayer.

5. Evidence from a survey of over 250 family and friends carers conducted this summer indicates that a high proportion (48%) are raising at least one child with a disability or special needs and 59% of carers have a long term health condition or disability themselves. Many of the children they are looking after have experienced similar multiple adversities in their birth families to those in the care system.

6. The survey also found that 28% of family and friends carers gave up work when they took on the care of a child, and a further 29% reduced their hours. 88% of carers are under the age of 65. Many family and friends carers tell us that social workers advised them to give up work to avoid their grandchild being taken into care, and yet only a minority, around one third, receive a discretionary allowance from their local authority.

7. Whilst 48% of family and friends carers cite their own or their partners job as their main source of income, and a further 34% cite either the state pension or an occupational or private pension as a main source of income, 20% of the sample are of working age and not working due to their caring commitments or own health condition, and do not have partner who is either in work or in receipt of a pension. This corresponds to around 40,000 individuals.

8. At present only a small minority of grandparents and other family and friends carers (we estimate around 4% or 8,000 in the UK) are affected by conditionality requirements. The majority of grandparent receiving income replacement benefits are presently exempted because they are looking after a child under the age of 7, or because they are receiving Incapacity Benefit, or because they are aged over 60.

9. One of the consequences of the changes being introduced as a result of the Comprehensive Spending Review and other welfare reform measures is that in future many more family and friends carers will be affected by conditionality requirements. Furthermore, the increase in the state retirement age for women from 60 to 65 will mean increasing numbers of older grandparent carers will in future be affected by conditionality.

10. The small number of family and friends carers currently affected by conditionality requirements, and their small number as a group in the population of Jobcentre Plus clients, means they are currently invisible as group to policy makers and frontline staff at Department for Work and Pensions and JobCentre Plus. We would like to see guidance strengthened so that staff are aware of the needs of this group.

THE UNIQUE STATUS OF FAMILY AND FRIENDS CARERS SHOULD BE RECOGNISED WITHIN UNIVERSAL CREDIT

11. We believe this group need to be recognised as a distinctive group for benefit entitlements, to ensure that their capacity to care for vulnerable children and to save taxpayers the expense of keeping them in care is not compromised. We therefore recommend that family and friends carers should be treated in the same way as carers and foster carers within the benefit system and exempted from conditionality requirements within JSA and ESA, at least for the first year following a child coming to live with them. For some carers, this would give them enough time to manage the upheaval in their lives without having to attempt to juggle work and care. Where a child has particularly challenging needs carers may need conditionality requirements for a longer period, for example where the child has severe emotional needs.

12. We urge the Committee to support our request to the Department of Work and Pensions that family and friends carers should be treated like other carers or foster carers, where there is a risk that a child might otherwise be in care.

OLDER GRANDPARENT CARERS

13. Around 12% of grandparent carers are over the age of 65. It will be important that this group are not disadvantaged by the introduction of Universal Credit, and that they receive adequate support for children they are raising.

14. A small number of older grandparent carers wish to continue working beyond the age of 65. Indeed this may help them to meet the unplanned costs of raising a child in later life. It is important that this group are able to access tailored support as would have been available to them under working tax credit, so that for them, work continues to pay if this is what they choose to do.

15. What will be the position of grandparent carers where one has reached statutory retirement age whilst the other is still of working age?

Sarah Wellard and Ben Wheatley (2010) Family and Friends Care What if we said no?, Grandparents Plus.
CARERS

16. We believe that the definition of carers who are exempted from conditionality (page 24) should be extended to those looking after a child who is not their own who would otherwise be in the care system. On current estimates this would benefit around an additional 8,000 adults. These numbers are likely to rise over time as conditionality is extended to groups previously exempted for example some people currently on Incapacity Benefit and women aged between 60 and 65 who are not in work.

MONEY FOR CHILDREN PAID TO THE MAIN CARER

17. We are concerned that under Universal Credit money for children should continue to be paid to the main carer. There is evidence that where money is controlled by the woman a higher proportion is spend on food and daily living costs.\textsuperscript{199} The Government should not assume that money is equally shared within households.

HOUSING COSTS

18. Around 22\% of family and friends carers currently receive housing benefit, a higher proportion than population averages, and so this group will be disproportionately affected by the changes to housing benefit announced in the Comprehensive Spending Review. Family and friends carers who take on the full-time care of a child at short notice risk falling foul of the new tighter rules around Local Housing Allowances (LHAs). For example, where a carer is living in rented accommodation for a period and has to reduce their hours or give up work as a consequence of the child moving in, it will be important that carers are not forced to move house. Being required to move house because benefit does not cover the cost of rent is likely to discourage family and friends carers from stepping forward and placing excessive strain on existing carers, and increasing the number of children in care as a result.

19. We are also concerned that the proposed 10\% reduction in housing benefit after one year on JSA will disproportionately impact grandparents and other family and friends carers who will find it more difficult to get back into work after dropping out of the labour market.

20. One in 10 family and friends carers are in households of five or more people, and so will be disproportionately affected by the benefit cap and vulnerable to becoming homeless.

21. We therefore believe that within the housing element of Universal Credit there is some flexibility to reflect the additional housing costs and need for stability for children brought up by family and friends carers.

CHILDcare

22. We welcome the intention in the White Paper (page 22) that help with childcare costs will be available to those who work less than 16 hours a week. We are concerned that the maximum support available for childcare has been reduced from 80\% to 70\% and would not want to see any further reduction of childcare support.

23. We also believe that the informal childcare provided by grandparents so that parents can work should be recognised through tax credits or childcare vouchers. Requiring couples to work for 24 hours before they can qualify for tax credits will lead to an increased use of informal childcare.

MAXIMUM AWARD OF Universal Credit

24. Particularly where family and friends also have their own children living at home, the cap on household benefits (page 23) may for some families act as a disincentive to provide care and is likely to lead to more children moving into care. We believe the exemption from the cap should be extended to family and friends carers where the children they are looking after would be in the care system.

PERSONALISED CONDITIONALITY (PG 27)

25. We welcome the Government’s intention that conditionality requirements should be reasonable for that person, taking into account their particular capabilities and circumstances.

26. For some family and friends carers, full conditionality will be inappropriate, for example where a child they are looking after is disabled or has severe emotional problems, or in the first year following the child moving in, or where family and friends carers having multiple caring responsibilities, perhaps for a disabled partner as well as the child. Imposing full conditionality on this group will lead to carers being unable to cope and more children going into local authority care. Every child in care costs the state an average of £40,000 a year, and outcomes for children growing up in the care system are often poor.

CONTRIBUTORY BENEFITS

27. We are concerned that making contributory benefits (eg contributory ESA) available for a fixed period only will penalise older people who have worked and paid their contributions but then suffer declining health

\textsuperscript{199} Jan Pahl (1989) \textit{Money and Marriage}. 
in later years. This will particularly disadvantage family and friends carers, almost half of whom have a long term health condition or disability, which may well be linked to the stress related to family difficulties which led to them taking on the care of a child, but whose prior employment rates are the same as for other people of a similar age in the population. Where a person approaching retirement age has to stop working due to poor health, they are likely to experience significant hurdles to re-entering the labour market. Removing entitlement to contributions based ESA after a year will further impoverish many older people.

CONCLUSION

28. We urge the Committee to raise with the Secretary of State for Work and Pensions our concerns in relation to the particular circumstances of family and friends carers, and the importance of safeguarding this group from unintended consequences of the introduction of Universal Credit and other welfare reforms.

December 2010

Written evidence submitted by Disability Alliance

1. SUMMARY

1.1 Whilst Disability Alliance welcomes some aspects of the Government plans, including benefit simplification, we have very significant concerns that many disabled people will be affected by benefit cuts, reduced support to find work, enforced work and even being cut from out of work benefits altogether as a result of the Universal Credit (UC) and broader plans.

1.2 The Government has suggested disabled people are protected during reform announcements. However, the assessment system to judge level of needs, the Work Capability Assessment (WCA) which will determine access to the UC, is severely flawed. Many disabled people will be found fully fit for work who we believe should be receiving Employment and Support Allowance (ESA) and a higher level of support to find appropriate work. Instead, many disabled people will experience the harshest elements of reform—as stated in the Universal Credit white paper plans to impose conditions and sanctions even on disabled people receiving ESA.

1.3 In our response to the Select Committee inquiry we outline concerns regarding several areas including: the future of the discretionary social fund; council tax and council tax benefit; permitted work for disabled people; defining disability and accessing the Universal Credit; tackling poverty.

2. DISABILITY ALLIANCE (DA)

2.1 DA is a UK charity seeking to break the link between poverty and disability. We provide benefits and other welfare guides and support to disabled people, their families and welfare rights advisers. We are best known as publishers of the comprehensive benefits guide: the Disability Rights Handbook.

2.2 Our Board of Trustees are mostly disabled people and we are a membership organisation representing over 250 organisations across the UK.

2.3 For further information about DA please visit: www.disabilityalliance.org.uk

3. UNIVERSAL CREDIT: WELFARE THAT WORKS

3.1 Disability Alliance welcomes some of the white paper’s aims: tackling poverty; simplification of the complex system; and ensuring people keep a greater proportion of earnings when moving off benefit into work. However, we have concerns about some proposals and interlinked Government plans.

3.2 DISCRETIONARY SOCIAL FUND

3.2.1 The white paper suggests (page 47) that:

“The current system of Community Care Grants and Crisis Loans will therefore be reformed. In England, Local Authorities will be responsible for administering much of the reformed system—ensuring this support is tailored to local circumstances and targeted only at genuine need. Local Authorities will be consulted on the design of the new system. If there are new administrative burdens on Local Authorities they will be funded by the Department for Work and Pensions in the usual way. However, we expect Local Authorities to utilise existing delivery mechanism and structures where possible. The Devolved Administrations will determine the most appropriate arrangements for Scotland and Wales”.

3.2.2 The Public Accounts Committee in its report “The Community Care Grant”, published 16/12/10 states that:

“The way the scheme operates is both inefficient and unfair: awareness about the grant is patchy; it is unevenly distributed across the country and across different groups of people. Errors are too common, with a large proportion of decisions challenged and over-turned; and administrative costs are unacceptably high.”
3.2.3 In addition, the Public Accounts Committee found that the cost of administering the course is unacceptably high and states that it has concerns about the fairness of the scheme:

“Funding is not fairly distributed across the country, with a clear imbalance between funding in each district and potential demand and need. Thus, an applicant’s chances of receiving a grant vary according to where they live. We consider the Department should do more to forecast demand based on established patterns and trends. Regional funding allocations are decided by Ministers but it is up to officials to provide clear advice about changes needed to improve the fairness of the scheme”.

3.2.4 The Committee also states that it considers that there is scope to help more people by making the purchasing arrangements more efficient, eg by agreeing central contracts for frequently requested items which could generate financial savings of around £14 million a year and provide a guarantee of quality to applicants.

3.2.5 DA believes that devolving CCGs and CL’s to local councils would reinforce these problems. Access to help could become an even more significant postcode lottery if each local authority has its own version of CCGs and CLs and criteria for awards.

3.2.6 We believe this proposal requires further development and scrutiny—and are particularly keen to know if there will be a right of independent appeal (and where from) if refused a CCG/CL as this may be harder to achieve under a more localised system.

3.3 Council Tax and Council Tax Benefit

3.3.1 The white paper states (page 21) that:

“Local Authorities will be given scope to take account of the priorities of their own local communities when determining the amount of support for vulnerable and low income households to meet their Council Tax bills. Local Authorities will be better able to provide a joined-up system of support for people on low incomes that dovetails with the various rebate and discount schemes which are already part of the Council Tax regime, while at the same time protecting vulnerable groups. While the aim is for a more cost effective system overall, any new administrative burdens on Local Authorities will, as a matter of principle, be funded by the Department for Work and Pensions in the usual way”.

3.3.2 DA believes this requires further consideration as there are similar potential postcode lottery problems with each local authority administering its own version of a rebate scheme.

3.3.3 We also fear that disabled people will be less likely to be able to move under these proposals, to a more affordable area for example with less CT or a better rebate scheme.

3.4 Permitted work

3.4.1 At present those in ESA support group can do up to 16 hours “permitted work” and earn up to £95 per week indefinitely—and people in the ESA work-related activity group for up to 52 weeks. The income is disregarded in terms of income-based ESA and HB/CTB.

3.4.2 The ability to undertake permitted work is an important way that disabled people or people with significant health conditions can consider or make the transition back towards full-time work.

3.4.3 However, although the white paper suggests that earnings disregards will be more generous then at present for certain groups (such as disabled people) permitted work receives no mention and requires the Government to develop or explain its plans.

3.5 Disability

3.5.1 The Government has suggested that disabled people are protected from the harsher elements of welfare reform, but with little detail. The two specific paragraphs in the white paper (on page 18 of the white paper) relating to disability in the white paper require significant development:

“The Government is absolutely committed to supporting disabled people to participate fully in society, including remaining in or returning to work wherever feasible. The model introduced in 2008 for the Employment and Support Allowance has worked well. This provides additional benefit components for people in the Work Related Activity and Support Groups. We intend to mirror this approach in Universal Credit. [And] The Government believes the existing structure of overlapping disability premiums is overly complex and causes confusion. We are considering what extra support may be needed for disabled people in Universal Credit, over and above the additional components mentioned above and the benefits available elsewhere in the system”.

3.5.2 DLA will not be part of the UC and is to be reformed over a similar timeframe to UC introduction. DLA (for working age adults) will become the “Personal Independence Payment” (PIP) with fewer component rates than the current DLA system. DA believes the Government must clarify the award of premiums under the proposed PIP and UC system.

3.5.3 At present the lower care rate of DLA gives entitlement to the following for example: disability premium and tax credit disability element; qualifying benefit for working tax credit; no non-dependent
deductions; and student eligibility for ESA. We are concerned this may mean people who lose lower rate care component (from current DLA which will not be replicated in the PIP) will not be awarded a UC premium. We believe this requires further development in Government plans.

3.5.4 The white paper acknowledges further consideration of support for disabled children is required (page 21) and Disability Alliance would also welcome further development of Government plans in this area.

3.5.5 We are very concerned that the Government plans to introduce sanctions on disabled people receiving ESA (page 26) and we would also welcome a focus on how the Government is developing the white paper statements that there will be requirements for disabled people to undertake work related activity (page 26) and what sanctions might be imposed. Disabled people experience higher costs of living and greater barriers to participation. Any work related activity must be appropriate and any sanction for non-compliance must be proportionate, reasonable and not leave disabled people unable to afford costs of living. We believe the Government needs to be clear what its proposals will mean and how many disabled people could be affected.

3.5.6 Due to the tough nature of accessing ESA (through the WCA) it is very likely that claimants will meet the Equality Act 2010 definition of disability. Many disabled people will therefore be exposed to levels of conditionality and sanctions never previously experienced. Government statements on“protecting disabled people” may also confuse some citizens into thinking proposals may not affect them. Developing concrete proposals in this area would be very welcome, as would knowing the process for implementing sanctions, where responsibility for decisions would lie and how appeals might be taken, heard and decided.

3.6 Accessing the UC

3.6.1 We are concerned that the route into the UC will be through the Work Capability Assessment (WCA). The WCA has not worked well and receives the highest rate of appeals (46,500 in under two years) of any benefit and routinely assigns disabled people to a benefit (JSA) which offers little tailored help to get and keep work.

3.6.2 The WCA is also getting tougher under Government proposals tabled in August through changes to the limited capability for work descriptors and an overall DWP aim to increase the number of people found fit for work by 5%. We believe this will mean further disabled people, including wheelchair users and people with sensory impairments experience the tougher elements of Universal Credit plans (including sanctions) as outlined in the white paper (page 26).

3.7 Poverty

3.7.1 The Government expects 350,000 children and 500,000 working age adults to be moved out of poverty through “changes to entitlement and increased take-up of benefit” (page 5 of the white paper). We believe this statement requires further depth/development and a clearer indication of the timeframe for this figure to be reached. We are particularly keen for the Government to measure and monitor disability poverty if DWP is confident its aims will be reached and we hope the Committee will explore this issue.

3.7.2 We are very disappointed that the white paper did not come with a fuller equality impact assessment which may have examined this issue. We believe that this should have been provided under equality legislation when the decision was taken to introduce the UC and hope the commitment (page 60) to provide this in full in January 2011 will be met.

3.7.3 The take-up section of the white paper (page 17) was very short and included little detail of the costs or number of people involved. The white paper expects the UC to save £1 billion in reduced error and fraud (page 60 of the white paper) but no figure is provided relating to additional numbers of people claiming the UC (or other benefits) which is also suggested in the white paper as a benefit of the Government’s proposed approach (see page 10 for example).

3.7.4 We are especially keen to understand how many additional people will be entering the welfare system as a result of the Universal Credit. We would also welcome understanding if people losing all out of work benefits as a result of time limiting contributory ESA to 12 months is implemented has been factored into DWP tackling poverty estimates. The DWP have suggested 280,000 disabled people will lose contributory ESA and all out of work benefits through this time limiting and we believe this underestimates the figure—which our analysis suggests will be closer to 400,000 disabled people. Disability Alliance has sought answers from DWP on this issue and we believe these contradictory figures and Government estimates of tackling poverty through the UC require further examination and for Government plans to be fully developed and clarified.

3.8 Costs

3.8.1 The cost of introducing the UC is £2 billion (page 51) for the period of the current Spending Review. This is the same figure as disabled people on contributory ESA are set to lose under Government plans to time limit this support to twelve months from April 2013. We are concerned that disabled people are paying for the UC—which represents an unfair burden falling on already limited shoulders. A third of disabled people live
in poverty in the UK and we believe the contributory ESA cut and other welfare changes risk increasing disability poverty.

3.9 Simplification and timetable for reform

3.9.1 While the aim of UC is to simplify the benefit system the social fund and council tax benefit proposals may mean these become more complicated and unfair (see 3.2 and 3.3 for further information).

3.9.2 We are unclear why the Government has chosen to exclude contributory benefits from the UC approach, for example including income-based JSA and ESA but excluding contributory JSA and ESA. This increases complexity to some extent.

3.9.3 Inevitably, changes to any system also require a period of transition for people moving from one to another benefit and this also institutes a degree of complexity. The timeframe to introduce the UC is dramatically short and we are concerned that Jobcentre Plus and DWP staff will be under enormous pressure and unable to access appropriate training to meet and identify disabled service users’ needs adequately. This could result in further barriers to service use—and to entering work or leaving benefits for some disabled people. We are keen to understand: the Government’s plans to train staff before UC implementation in 2013; when it will begin; and how many staff will receive training before UC introduction. This is uncovered in the white paper but paramount to disabled people having confidence that the new system will be ready and able to meet legitimate needs.

3.9.4 A further aspect of simplification in benefits is devolution. DA is keen to know if the NI Assembly is agreeable to DWP plans. On some benefit and other support for disabled people, devolved authorities have chosen to provide more generous support (eg on prescriptions and within care service charges for example) and we are keen to learn what differential impact introducing the UC may have in the component parts of the UK.

3.10 UC payment and assessment periods

3.10.1 We would also welcome clarity on proposed payment systems for the UC. We understand this will be monthly but this may adversely affect millions of people used to a different process and may mean changes of circumstances are taken into account only in the next calendar month. We would welcome the Government explaining its proposals on this issue fully.

December 2010

Written evidence submitted by Knowsley Metropolitan Borough Council

1.0 BACKGROUND

1.1 Knowsley Metropolitan Borough Council is one of five Merseyside Authorities in North West England. Knowsley is a diverse borough with a mix of rural and urban areas all of which carry the need for a flexible approach to customer service. The make up of the borough is diverse and presents a number of challenging issues which include: high levels of deprivation and crime, poor health and high unemployment.

1.2 The Benefits Service in Knowsley achieved an Excellent rating against the Department for Work and Pensions Performance Standards in 2005. Since the introduction of the Audit Commission Key Lines of Enquiry in 2008 significant work has been undertaken to align service aims and objectives with wider corporate and community targets in order to promote Knowsley’s vision as the Borough of Choice and its aim of Improving Peoples Lives.

1.3 Knowsley Council recognises the value of joint working and views its Benefit Service as a prime example of how central and local government can work together to achieve the shared objectives of reducing worklessness and the eradication of child poverty.

1.4 We welcome the opportunity to support a reformed welfare system that simplifies the benefits system and supports people out of poverty and into employment. However we are concerned that the areas identified in the White Paper, “Universal Credit: Welfare that Works” are merely the difficult or contentious areas that the Department for Work and Pensions may find it difficult to deliver, rather than a desire to work in partnership with local services. Additionally we are concerned that local authorities will not have sufficient resources available to deliver these services effectively and that, unless there is an absolute commitment to data sharing and accountability, our residents will be left unsupported.

1.5 “Universal Credit: Welfare that Works” suggests that there are a number of areas where local authorities could work with the Department for Work and Pensions to deliver the Universal Credit. These include:

— Delivering face to face contact for those who cannot use other channels to claim and manage their Universal Credit.
— A localised Council Tax.
2.0 DELIVERING FACE TO FACE CONTACT

2.1 The White Paper identifies that the current system is inefficient and complex with customers unsure about who they need to contact and having to provide the same information to a number of different departments. A genuine commitment to data sharing where information is held centrally but shared with local partners could solve this problem and at the same time reduce fraud and error. Local Authority processing systems already pass data to the DWP via the Single Housing Benefit Extract (SHBE) and IT services have committed to national security systems and are now fully compliant with GCSX. There is no reason why data could not be shared between central and local systems using this functionality. The success of data matching has already proven that national systems can provide valuable data to be used at a local level.

2.2 In Knowsley we have made significant progress sharing data internally to create a single service that uses personal data to process entitlement to a range of means-tested benefits. As a result, our residents claiming Housing or Council Tax Benefit can also have entitlement to Free School Meals and School Uniform Grants or contributions towards Domiciliary / Residential Care assessed without the need to complete a separate application form or provide information already held by the authority to more than one department. This partnership approach could easily be replicated between central and local services.

2.3 For some customers, the internet will provide an accessible and simple channel for claiming welfare support and there is no doubt that an automated self-serve system could reduce the overall cost of welfare support. However, it should be recognised that a significant number of people will be unable to access help and support in this way and the local authority could work in partnership with the DWP to support more vulnerable customers. We already have the infrastructure to support face to face contact from residents through four One Stop Shops which are located across the Borough. Advisors in the One Stop Shops are already trained to support and advise residents to access housing / council tax benefit and could easily provide face to face advice in relation to the Universal Credit. We also have a team of highly trained and experienced Welfare Benefit Advisors who provide a visiting and outreach service to our more vulnerable customers. Our experience of this Team working with Lone Parents moving into employment has shown that customers in receipt of benefit for significant periods of time need personalised support to cope with the transition from benefit dependency to employment. In Knowsley our partnership with Lone Parent Advisors at the local Job Centre has produced significant positive results and we would be happy to share our experience of how commitment to partnership working between departments can make a real difference.

2.4 Closer working arrangements between local and national services with a commitment to data sharing would reduce duplication and increase efficiency but only where both parties are truly committed to working together. Delivering face to face contact for those who cannot use other channels to claim and manage their Universal Credit would only achieve positive results if the front line local authority staff were able to fully interact with back office processing staff at the DWP. Customers generally want to speak to the person processing their claim, front line services that are unable to resolve a query at first point of contact add nothing to the service.

2.5 There is no doubt that the benefits system needs to be simplified and that supporting people to move away from benefit dependency can be beneficial to both individuals and communities. However, the proposals in the White Paper fail to recognise that these networks are currently in place and working well at a local level.

2.6 In Knowsley, the Benefits Service has strong links to services already supporting customers to access training and employment opportunities. Partnership working with our own Housing Strategy service has helped to reduce the number of residents registering as homeless and has had a significant influence on the development of support schemes including Mortgage Rescue and Rent Deposit Bond Schemes.

3.0 A LOCALISED COUNCIL TAX

3.1 It is difficult to envisage how this could work without more details from the Government. It is clear, however, that funding will be reduced by 10% and as a result local authorities will need to put more resources into collecting Council Tax from residents with limited resources. This immediate 10% cut in Council Tax Benefit will also obviously affect customers who rely on this benefit for help towards their annual Council Tax bill. Without the detail of how a local scheme will work, it is impossible to calculate who will be affected or by how much. However, it is concerning that this reduction will be on top of other welfare benefit reductions which will add to financial hardship for local residents.

3.2 A local scheme will inevitably offer different levels of support in different local authority areas. Instead of simplifying the system for Council Tax benefit, this is likely to lead to greater complexity and confusion, particularly where customers move between local authority areas.
3.3 The implementation of the Universal Credit relies on the development of IT systems that can share data and pay benefit to both customers and housing providers. This technology already exists in local authorities and could be enhanced to process additional benefits at minimal cost. The White Paper advises that any new administrative burdens will be funded by the Department for Work and Pensions but also suggests that local authorities should use existing delivery channels. A significant proportion of the current administration grant for Housing and Council Tax Benefit is spent on IT systems, if this funding is no longer available it is difficult to envisage how these systems can be retained.

4.0 Processing Non-mainstream Housing Benefit Cases (For Example, People Living in Supported or Temporary Accommodation)

4.1 Claims for Housing Benefit from customers in supported or temporary accommodation are complex and difficult to administer. There is no doubt that local authorities are best placed to administer these cases as residents in these schemes normally access other local authority support services such as housing support and/or care packages from local authority social services.

4.2 As noted in paragraph 3.3 above, systems to process these claims may not be available to local services if funding is withdrawn. There is also an issue regarding the funding of housing support for these cases as under the current subsidy schemes they do not always attract 100% funding.

5.0 The Administration of Discretionary Payments to Replace Crisis Loans.

5.1 As with the localised Council Tax, is it difficult to envisage how this would work without more detailed information from the Government. The White Paper does indicate that an amount of information would be shared between the DWP and local authorities and this would be crucial if crisis loans were to be administered at a local level.

5.2 If the local authority were to administer a discretionary support fund for its residents, there must be a robust and transparent method of distributing funding to ensure that sufficient support is available in the most deprived areas.

5.3 It is unclear why this function would be separated at all from the Universal Credit. Local authorities currently administer Discretionary Housing Payments which support customers with housing issues, however, this is directly linked to Housing and Council Tax Benefit and is used to support customers to retain or move to sustainable tenancies. If the ethos of the Universal Credit is to support customers to move into employment and reduce benefit dependency this should form part of that support rather than a single one-off cash payment that presumably would need to be repaid in some way.

6.0 Summary

6.1 The decision to administer the Universal Credit centrally is disappointing. The debate on localism, locally delivered public services and empowerment to local communities has been totally ignored. Local authorities, and specifically Knowsley Council, have made significant improvements in the way Housing and Council Tax Benefit services are delivered achieving significant service improvements through innovation, partnership working and the use of technology.

6.2 Acting as a conduit between national and local priorities, local authorities are able to tailor services that work best for their residents. This does not happen at a national level. We would urge the Committee and the Government to re-think the role local authorities could have in supporting welfare reform.

6.3 Decent housing and access to training and employment opportunities are key to improving peoples lives, reducing crime and improving health. Local delivery has proved itself to be responsive, flexible and innovative, able to change to suit the diverse needs of residents and accountable to them for results. For many, access to welfare benefits will provide the temporary financial help they need whilst they can find new employment. For others a more intensive support network will be required and this can only be provided at a local level.

6.4 If the local authority is to have a role in the administration of welfare support crucial to the lives of its residents, there needs to be an absolute commitment to partnership working. A system could be devised where data is collected, stored and processed centrally but delivery must be devolved to local services where support can be focussed where it is needed most and services can be coordinated to ensure the best possible outcomes.

December 2010
Written evidence submitted by Mary Campbell

1. Introduction

I attended some of the sessions of the 2001 Social Security Select Committee’s hearings on what was then called the Integrated Child Credit (now “child tax credit”) and have written extensively on this and related issues. An analysis I wrote before its introduction raised a number of issues that subsequently turned out to be problems.206

This brief comment points to some of the issues that I believe may become problems with Universal Credit (UC).

2. Summary

Because the White Paper and its predecessors leave so many questions unanswered and so many issues vague, it is almost impossible to analyse it satisfactorily. When it brings legislation to Parliament in January, the DWP will in effect be asking for something close to a policy blank cheque to introduce huge changes to the way that entitlement is calculated and money delivered to the poorest and most vulnerable members of our society. A universal credit is one of the two Holy Grails of policy-makers on tax/benefits (the other is integrating the tax and benefit systems, which Labour pursued with some success). If achievable without hardship to recipients or bankruptcy for the Exchequer, it would be wonderful simplification. But because the proposals have not been properly piloted and examined, there are likely to be all sorts of unforeseen effects. These may include the following:

(i) Computerisation inadequacy; the executive summary of the White Paper says blithely: “For those in employment, Universal Credit will be calculated and delivered electronically, automatically adjusting credit payments according to monthly income reported through an upgraded version of PAYE….This would involve an IT development of moderate scale, which the DWP and its suppliers are confident of handling within budget and timescale ……” (no mention that I can find of how housing benefits, house moves, mortgages, changes of relationship status, and and and will be handled). In the light of the experience of unfounded confidence expressed to the 2001 Social Security Select Committee investigation of Child Tax Credit by HMT/HMRC spokesmen, I suggest that the Committee should this time call for evidence from computer experts who should approach the plans in a questioning frame of mind to check that the DWP’s confidence (complacency?) is not misplaced. Successful computerisation, including inputting of data, is fundamental to the whole UC project and therefore to whether low income children get fed and housed.

(ii) Assumptions about the way financial incentives work: for example, by combining the introduction of an earnings disregard for lone parents with the abolition of the current incentive for them to work 16 hours or more, is it possible that lone parents will reduce their hours? The DWP’s answer to this seems to be to extend compulsion from taking a job to somehow making people work for more hours….

(iii) Misleading data choice and presentation in the White Paper: The examples the White Paper gives assume the same level of rent (£80 a week) and of council tax (£15 a week) for all types of family—whether single people, lone parents or couples with children. In central London, the idea that rent could be as low as £80 a week and council tax £15 even for a lone parent, let alone a couple with children, would be laughable anyway, if it weren’t so serious for so many low earning folk. Once one starts to put sensible figures into the examples, the rosy picture painted by the White Paper begins to look much more questionable. The White Paper does not seem to show how many hours a two-adult couple would have to work to get above the UC threshold.

(iv) Position of women, especially with care responsibilities or dependent children: Again, the lack of detail is frustrating. But it looks as though the UC proposals will increase the already existing disincentive for women in couples to earn—in other words they will be encouraged even more than at present to be welfare dependent (even though, as at present, the welfare money is disguised as a payment for a second adult in credits received by the man—all too often Government and commentators do not classify taxpayer subsidies paid to a man to have a woman at home doing his chores for him as “welfare”). This will increase child poverty both immediately (because there will be less money to spend on children if mothers earn less than at present and as children grow older) and because of women increasingly losing touch with the labour market so that if their relationships break down at any stage they will be claiming more in welfare support for lone parents and pensioners than if they had earned. If low paid women leave the labour market and rely (indirectly) on welfare support, more migrant labour will be pulled in to do the low-paid jobs.

(v) Regional differences: Analyses of tax credits have long suggested disincentive effects from the cost of working being much higher in some parts of UK than others (especially in London). Levels of UC will no doubt be based on UK averages, and it looks as though there will be even less allowance for regional variation in recipients’ costs of living and working than at present.

206 Child Tax Credit and the Family, Oxford University Family Policy Briefing 2
### 3. Computerisation Inadequacy

3.1 The 2001 Social Security Committee’s acceptance of assurances from HMT and HMRC that the computers would be up and running well in time was one of the report’s biggest failings. This project is far more ambitious. It depends first on an upgrade of PAYE systems (will this be fault-free—haven’t a lot of PAYE results been shown to be wrong recently). Second, it depends on being able to transfer housing benefit from local authority systems into the system. Third, it assumes that all low paid workers’ records are correctly included in PAYE. Imagine a cleaning lady who works, at the minimum wage, for five different employers five mornings a week. She lives with a man so she has no right to any earnings disregard (he’s already used up the household’s access to that). She is not recorded on PAYE or recorded as self-employed because her earnings are below the tax threshold. One week, one employer is on holiday—“don’t come this week”. The next week she’s too ill to go to work (but doesn’t qualify for sickness pay). Two weeks later her child is ill and she cancels two days. Imagine this sort of work pattern, which will become much more common as more and more people are forced out of their regular jobs over the next few years and have to earn enough to live in lots of “mini-jobs”. She doesn’t want to cheat; presumably she’ll have to feed in a different set of figures every week or lose the family’s housing benefit and be evicted. And then there are the infinite changes of relationship status (about 600,000 a year according to one out-of-date estimate) and relationship (from one person to another, also triggering a new application). And that’s on top of the millions who change employer or employment status each year. On top of all this, apparently “Universal Credit will merge out-of-work benefits with in-work support” (para 11 of the Executive Summary). …I urge you to call in a sceptical computer expert to test the various systems that DWP thinks will work.

3.2 The White paper states that “the quality of the on-line service will be important to get right”. This is important not least because, under UC, people will normally be expected to apply on-line for every penny they get. It seems that responsibility for correctly inputting the information on which the payment of the correct amount of money will depend will now fall to the claimant. Never mind if there is no effective broadband in your area and it takes you five days, never mind you’re living in a hostel where the only free access to a computer is in the local library which is 10 miles away because others have been closed because of the local government cuts, never mind that, according to some reports, literacy and numeracy amongst the poor who most need the money are far too low to expect them all to be able to cope with the computer input systems, never mind the ethnic minority mothers whose English will not be good enough for them to claim. The DWP states: “…we do not underestimate the challenge of changing customer behaviour to use new channels (which will include smart phones and automated telephony as well as PC-based services)…” (para 4:26). Just as well, since online will become the default and it is this that determines the DWP’s capacity to “free up more advisor time to deliver valuable face-to-face back-to-work support”. Suppose someone genuinely inputs the wrong information—is this fraud?

3.3 Fraud and security: The DWP seems to think that a Universal Credit available via online application will reduce opportunities for fraud and that personal data security will not be at risk….I suggest you ask a computer expert to try to hack into a system or get a job in the DWP computer department. (How about the US guy who downloaded Wikileaks?)

3.4 If the computers or the inputting systems fail, who will suffer? The answer is the most vulnerable—and to a much worse extent than in the case of the tax credit problems because the poor will be relying on UC for ALL their income, not just a part. The Exchequer may also suffer, since it may not be possible to get back overpayments or fraudulent payments.

### 4. Assumptions About Financial Incentives, Misleading Data And Gender

4.1 One of the Coalition Government’s first acts (see Emergency Budget) was to increase the numbers of low earners who face very high ‘marginal deduction rates’ (the equivalent of marginal tax rates for the better off). Very reasonably, the White Paper points out that these high MDRs are likely to be a deterrent to earning. And they want to reduce them not only from the higher levels that the new Government has itself just introduced, but to lower levels than Labour policies entailed. A laudable aim. So, the White Paper proposes a universal taper rate of 65% for everyone. This may well work for single people: because they can see the point at which 65% will fall to a tax rate of 20% + NI and because they can work longer hours than parents or carers. But for couples or lone parents it’s more problematic because reducing the average taper to 65% means that, in a lot of cases where both adults are earning the minimum wage or not much more, they will both need to be working more than the Working Time Regulations permit before they can get beyond the 65%. This was evident (though not made clear) from charts shown in presentations the DWP made after the Green Paper publication. Once you factor in sensible figures for rent and council tax, the problem gets far worse.

4.2 Will a return of 35% on earnings be enough to tempt people to take jobs or work more hours? The response of higher earners to the 50% marginal tax rate suggests that higher earners wouldn’t work for that—we are repeatedly told that even 50% is driving bankers abroad (actually most bankers’ marginal tax rates are generally lower because of their ability to claim tax reliefs to the tune of £tens of thousand each year, reducing their taxable incomes below the 50% threshold).

4.3 But it’s more complex than that. There will be an earnings disregard. In a two-adult household this will apply only to the first earner, so second earners will be taxed at 65% from the first £1 they bring in: not much
of an incentive, given that payments to the man to support a woman at home to do his chores for him will not be counted as “welfare dependency” once he’s earning above the JSA basic level.

4.4 But it’s more complex than that. In order to make it more attractive for low earners to work short hours, another laudable aim taken by itself, the DWP is proposing to abolish the various thresholds of 16, 24 and 30 hours a week—points where, under the current system, the MDR rate falls way below the proposed 65%. These have acted to increase employment for hours just above these thresholds (see data in tax credit statistics). It is arguable that what will happen under UC is that a lot of people will just reduce their hours from 16 or more to the earnings disregard level or just above, costing more in welfare payments than they do at present.

4.5 But it’s more complex than that. Because a whole new compulsion system is being introduced that will apply to the number of hours people work as well as whether they work at all. Again, there is very little detail about how this will be applied: will you be penalised if you work ten hours instead of 11, 20 hours instead of 30? How is this going to be applied and implemented and by whom—will it not need a lot of people to supervise and implement the new compulsion regime, effectively doing the job that incentives to reach certain hours thresholds does at present?

4.6 But it’s more complex than that. Gender rears its ugly head. The people who are most likely to reduce their hours are women, not least because if they earn nothing they will be more highly subsidised by the taxpayer than before. This means less labour market attachment and women not being expected to earn provided they live with a man (the taxpayer will support them). This in turn means less money to spend on children, less labour market preparedness if their partner loses their job or the relationship breaks down—certainly more child poverty. Once you factor in the 20% or more of childcare costs that mothers will have to pay, the 35p in the £ that they may expect to take home will be reduced to a negative.

5. REGIONAL DISPARITIES

5.1 Universal Credit will apparently be universally the same: the DWP White Paper does not appear to recognise that the costs of taking a job (and working more hours) vary hugely and are especially high in London. If you add in the costs of commuting (let alone childcare) in London, then the effective MDR will be above 100% for most people. I suggest that a regional earnings disregard should be included in UC. This would be very easy to implement (although there would be geographical cliff edges).

December 2010

Written evidence submitted by Institute of Revenues, Rating and Valuation

INTRODUCTION

1. The IRRV is the professional body concerned with all aspects of local authority (LA) benefits administration and local taxation in the United Kingdom. Its membership of 5,000 individuals is drawn from both the private and public sectors.

SUMMARY

2. Areas of the Government’s proposals that need further development are:

(i) We strongly support the broad principles of UC on the grounds of making work pay, system simplification, administrative efficiency and cost reduction. We believe housing costs should be excluded from the UC system. The housing cost element of UC needs to be localised, to provide assurance to the market, to develop local relations and help prevent homelessness, and to assist in rooting out fraud and error through local knowledge.

(ii) Housing costs will be a very significant element of UC. The financial implications of including housing costs within UC need full analysis. A comprehensive review should be undertaken to assess the trade-offs in public expenditure, in terms of both the transitional arrangements to, and the operation of, the new system.

(iii) The delivery models for UC require review. LAs show an excellent track record in providing innovative, client-facing services that are fully inclusive of the most vulnerable in society—that expertise is being missed if LAs are not fully involved in, or allow to bid in, providing alternative delivery models to the proposed DWP model. They should be able to bid for more than a gatekeeper role. There is considerable scope for LAs to offer efficient and cost-efficient UC solutions that offer best fit for their areas: for example through shared services, partnership working with the private sector and local/regional hub working. Such models could allow for LA front office data gathering, updating and viewing when required.

(iv) The UC system must actively bring the process to the most vulnerable, who will not be able to engage through the highly automated access processes.

(v) In place of the planned development of a national investigation unit within the DWP, there should be a regionally-based National Public Fraud Service, which we believe could be funded by current related
spend. This should incorporate all public sector fraud resources including the DWP, local government, the NHS, HMRC and all other public bodies.

The Structure of UC

3. We are supportive of the broad concepts of UC as a means of simplifying the welfare system. It is crucial that from the outset the UC system is planned and executed correctly, so that it is not beset by administrative disruption. We appreciate the scale and urgency of the task faced by the coalition government to reduce the financial deficit and rein in rapidly-rising HB costs.

4. The proposal to include housing costs as part of the UC and will leave the Government burdened with additional implementation and operational difficulties (and costs). Complexity comes from the fact that HB is being viewed as a single benefit. However, there are two sets of HB regulations (working age and pensionable age) and there are the numerous schemes (pre-15.01.89, post-15.01.89, post-02.01.96, post-07.10.96, post-06.10.97, LHA, LHA post-April 2011). Who is on which assessment scheme can depend on either the start date of their tenancy or the start date of their HB claim. We note the White Paper only refers to the possibility of combining housing costs for pensioners with Pension Credit but is asking for ideas for those who do not receive Pension Credit.

5. HB is different to other of the welfare benefits, as it addresses the essential requirement for adequate housing for low income households, which in turn underpins social and economic wellbeing and stable employment. Disincentives are already creeping into the HB regulations eg existing LHA customers will lose the transitionally protected median rate of LHA and go onto the 30th percentile rate post-April 2011. In order to create a stable base from which to search for and maintain employment it is essential that tenants are provided with an assured rate of assistance with housing costs. Customers may already face a move as the restrictions on the current levels of HB are realised. To make employment a viable option they need support e.g. with child care whether this is a school, nursery or provided by family and friends. Relationships need to be developed with private landlords who would be nervous if payments were continually being suspended or terminated due to the claimant failing to undertake prescribed activities under conditionality. Consideration should be given to the removal of housing costs from UC on the grounds of system simplification, administrative efficiency and cost reduction.

6. UC is for working age claimants only, not pensioners. UC will not take over HB for all tenure types (exempt accommodation is expected to remain with LAs). Social housing is intended to be included but may yet prove more difficult; if it is not workable then a duel system will exist for a large part of recipients. The payment direction at least for some will continue to be direct to landlord. This introduces the issue of what is the element for the housing; and if it is not enough to cover the rent then what happens? There are also overpayment recovery issues in cases of direct payments. These aspects add complexity, administration, cost and confusion to the intended simplicity of the scheme. Furthermore, there is discussion about housing costs being varied on region; this makes the UC less Universal and more tied to the LHA rate/ rent system that is in place for HB. If the rates are recognised to have regional variance again this is a complexity.

7. The various different rent schemes that LAs have to use to assess the eligible rent on a claim also give rise to complexity. The housing cost element is not a flat rate. DWP have previously shied away from putting everyone on the same scheme but for UC to work without taking into account the various schemes they would have to take such drastic action.

8. It is important that there is engagement with local government about both the transition arrangements and the final shape of the UC system. We suggest that a phased “Road Map” is developed, which enables transition of the implementation, addressing our key concerns. An element of this would be to develop a Roles and Responsibilities Matrix, incorporating elements such as (but not exclusive of):
   - Appeals;
   - Fraud;
   - Interventions;
   - Overpayments recovery;
   - Claim types and vulnerability; and
   - Imminent Evictions—trigger points and process.

9. From October 2013 new cases will go over to UC. From April 2014, tax credit cases will go over. It has intimated by civil servants that if social housing cost cases prove to be too difficult, the time table could be altered further—but that would not be known until 2015. If UC encompasses HB and there are issues with delays and payment mechanisms the result is more drastic as they could be evicted. It should be proven before absorbing HB. This will also help with confidence in the private rented sectors and minimise the dangers of landlords refusing to take tenants on benefits.
DELIVERY MODEL REVIEW

10. The highly automated model proposed for UC will not suit all claimants and will serve as a distinct barrier to some. We urge that full planning is given to providing a safety net that will bring the process to the most vulnerable.

11. Many LAs have outstanding benefits delivery records of which they are rightly proud; and there is a culture of shared best practice. Compared with many centralised assessment and payment systems over recent years (Child Support Agency, HMRC and even JobcentrePlus (JC+)), LAs generally can be proud of their speed and accuracy of assessment. LAs also compare favourably in terms of preventing overpayments, by way of prompt local service—whilst also offering comprehensive welfare advice.

12. It appears that a gatekeeper role in UC is planned for LAs if housing costs are included. Claims would be passed to the centralised processing agency, and the LAs would have no assessing role. The majority of LAs have well established “customer-facing” access points, and achieve high-level service through innovative approaches and a willingness to embrace technological change. In the haste to bring in the new system, the skills and structures that LAs have for high quality customer interface are being sidelined unnecessarily. It seems absurd that these capabilities are being shifted to the centre, with no flexibility of role for LAs being built into the system. Use of the third sector, on-line applications, call centres and JC+ have all been mooted for UC access points: greater scope for local authority involvement would seem to us to fit well into this mix. LAs show excellent track records in providing innovative, client-facing services, inclusive of the most vulnerable in society—that expertise is being missed if LAs are not fully involved in, or allow to bid in, providing delivery models. There is considerable scope for LAs to offer efficient and cost-efficient UC solutions that offer best fit for their areas: for example through shared services, partnership working with the private sector and use of regional hub working. Uniquely, such models would still easily allow for LA front office data gathering, updating and viewing when required. All these issues would be avoided if housing costs were excluded from UC.

13. Successful implementation of UC will rely upon a high level of automation in its processes. We contend that the most vulnerable require a delivery model that brings the process to them; and the UC system must address this need. Local authorities deal in high volumes of benefits interventions and interactions, and furthermore in doing so they act as a first barrier to fraud entering the system and can detect fraud that has managed to enter into the system. Personal interaction with claimants should not be undervalued in the race to deliver a low cost automated system.

ISSUES FOR LAs AS REGISTERED SOCIAL LANDLORDS

14. Any LA with housing stock is going to be involved in supporting tenants and guiding them through UC. LAs in effect will take allocate staff with benefits expertise to help guide through this. If housing cots are included in UC, LAs will probably not get automated payments for rent this will have a major arrear implications which will be costly to administer and would fuel homelessness.

15. If private sector housing costs are included in UC there could be an increased lack of confidence in the system from landlords and investors if UC does not deliver sufficient return. Investment into future affordable housing stock provided by RSL’s is in part funded through its rent revenue including HB, which is a reliable source of income. If confidence drops levels of investment for lending to RSL’s and private landlords could suffer.

FRAUD AND ERROR

16. The White Paper refers to a new programme to both protect the integrity of the new system and tackle fraud and error which sits outside the scope of Universal Credit. This has been revealed in the recently announced DWP Fraud and Error Strategy. From 2013 a single national investigation unit within DWP which will take on all local authority benefit fraud investigation functions as well as DWP and HMRC. There is merit in creation of such a joined up unit, but the creation of such a unit within DWP would in our view be a mistake, primarily because it cannot hope to retain the local knowledge which is vital to detect and deter many frauds. Much fraud is opportunistic in nature and is suited to local level focus rather than organised on a national scale. We would recommend the development of a National Public Fraud Service as a regionally based non-governmental public body, which could be funded by the current related spend which would encompass all public sector services including the DWP, HMRC, local government, and the NHS. Otherwise, as the present proposal stands, LAs face having to create their own investigation units. Many of the current LA investigation units do not only deal with benefit fraud but also cover other aspects of corporate fraud within an authority. If these units are absorbed into the proposed single body LAs who wish to continue to investigate corporate fraud will need to re-establish these units having lost the skill and expertise built up.

COUNCIL TAX BENEFIT

17. It difficult to comment in detail on the way in which CTB will best be administered, as so much of the detail is yet to be revealed. It is likely from current information however that CTB will not be as autonomous as might be liked—again this suggests the new system is a long way from localisation advocated in other
areas. It is possible that the cost of CTB could become lost in the tax base, so that council taxpayers end up effectively paying for their own rebate. Furthermore, implementing governance around discretion will be more complex and is likely to be challenged. Also the cost of software etc is likely to be prohibitive in terms of true localism. What would the impact be on incentives for employment eg if an opportunity arose in an area which meant that the customer experienced a less generous CTB scheme when working in that area would they take that job or stay on benefit?

OTHER CONSIDERATIONS

18. We support the theme outlined in Dynamic Benefits\textsuperscript{201} that there should be specialist and private sector involvement in aspects of JC+ work, for example in relation to its job search role. The latest development in this arena is the Back to Work Programme expected to be launched by the DWP next summer in which private sector companies will be financially rewarded for those successfully placed in work. This sets a precedent for the JC+ to act in a client role rather than being the sole delivery vehicle. LAs could combine with each other or the private sector to deliver UC, rather than relying on JC+/DWP as the sole delivery vehicle.

19. Regardless of the final shape of UC, there is uncertainty in the system at present, caused by the proposals. A significant percentage of skilled benefits staff will leave the sector early in advance of UC being introduced. Where natural wastage occurs LAs may be reluctant to replace staff, therefore losing and not replacing the knowledge and expertise. Closer to the change over dates, more staff will move into other areas, thus depleting the pool of experienced staff. Should there be slippage or changes in the UC plan which affect housing costs it may be difficult for LAs to continue maintaining the service.

December 2010

Written evidence submitted by Citizens Advice

Citizens Advice welcomes the opportunity to comment on the proposals set out in the Government’s White Paper, \textit{Universal Credit: welfare that works}. In 2009–10, Citizens Advice Bureaux saw 2.1 million clients and helped with 7.1 million issues. Benefits and tax credits and debt are the two biggest areas of advice, and account for almost two thirds of issues advised on. We handled over two million benefits and tax credit issues, which involved helping people understand and claim what they are entitled to, helping to resolve administrative problems, and helping to challenge decisions.

The volume and nature of our enquiries indicates just how complex the benefits system is, and shows the level of demand for help from our clients. In a recent online survey about policy ideas for the Government’s spending review, over 3,000 CAB advisers and clients responded, and the need for a simpler benefits system won the most support. In the response to the consultation, \textit{21st Century Welfare}, Citizens Advice welcomed the aim of the Universal Credit to simplify the benefit and tax credit systems and to make work pay. However there are a number of areas in the White Paper that still require considerable development and without significant resolution, threaten to undermine the reforms. This response aims to flag up these issues, though there will not be space to deal with them all in detail.

ALIGNMENT OF RULES IN BENEFITS AND TAX CREDITS

Many of the problems highlighted below arise from the merging of two systems with a range of different rules—some of which are more generous in one system than the other. In order to fulfil the government’s aim of supporting people into work that pays, the Universal Credit must be designed to incorporate these numerous differences without simply adopting the cheaper option. The rules around “responsibility for a child”, for example, are different in DWP benefits from in tax credits (and even different between child benefit and tax credits, both of which are administered by HMRC). Careful thought must be given to how these rules are aligned, and decisions made on which would best fit with the policy objectives of the universal credit, rather than which would be most affordable in the immediate term.

CHILDRENCARE

The Government remains undecided about how to provide help with childcare costs. We cannot stress enough how critical this issue is in helping low income parents into work, or increasing their working hours.

If help with childcare costs are managed separately from the UC, parents will face a second rate of withdrawal of benefit, which is likely to result in very high marginal deduction rates. With the UC taper rate set at 65%, those who pay tax and NI will lose 76 pence in every £1 of extra earnings. Any separate withdrawal of support for childcare costs would inevitably result in lone parents (or couples where both are in low-paid work) losing much more than this and—crucially—being unable to predict their final net income.

\textsuperscript{201} Dynamic Benefits: Towards Welfare That Works, The Centre for Social Justice, September 2009
We do not support proposals to deal with childcare costs by disregarding them from income, as this will put many families at risk of facing effective marginal deduction rates of over 100%—i.e. to lose out financially when working more. The impact will depend on the ratio of earnings in relation to their childcare costs.

The Paper appears not to recognise the help with childcare costs currently provided through the housing and council tax benefit system, which can cover up to 17% of childcare costs, in addition to the 80% covered through the tax credits system. We hope that this does not mean a reduction in the overall financial help available for childcare costs.

Possible options for providing help with childcare costs are limited by the desire to maintain the current level of spending. If the purpose of welfare reform is to encourage more people into work, and the intention is to extend support to parents working fewer than 16 hours, it is difficult to see how it will be possible to maintain current spending levels, and ensure that work will pay for everyone with children. If lone parents are expected to work when their youngest child is five, support for childcare costs must ensure that work pays for a lone parent on minimum wage with average child care costs. If the system cannot guarantee that it can make work pay in these circumstances, this must be made explicit, and the associated conditionality regime must be consistent with this. Whilst the JSA conditionality regime does not require a lone parent to take a job that does not fit with school hours or for which affordable childcare is available, the proposal to cut housing benefit for individuals who have been claiming JSA for over a year may not allow them to operate within these flexibilities, without being penalised.

The proposal to pay 70% of childcare costs in UC is, in our opinion, the best of the options offered by DWP. However, if it were adopted, it would fail the two tests of Universal Credit for many claimants. It will not make work pay and will not be simple enough for a parent to predict whether they will gain significantly if they accept an extra shift at work.

It will be difficult to find affordable and non complex solutions, but we suggest the following could be considered:

- Paying childcare costs in full or at 95% (at present 97% of childcare costs are paid for those on HB/CTB) up to a given limit of say £100 beyond which only say 70% of childcare costs were paid. The fixed amounts will need to be higher in areas of high childcare costs and for children with disabilities.
- Increased universal free/subsidised provision during school holidays.

We would not expect the Bill to be passed without these details being resolved. A PQ response from Chris Grayling advised that the detail will be announced over the coming months, after discussion with the sector. The UC will succeed or fail depending on whether work really does pay for parents reliant on childcare costs. We recommend that the Bill should include broad provision, to prescribe that whatever the solution, there should be no requirement for a parent with childcare costs to work, unless they can be sure of retaining at least 85 pence in the £1 after paying all their childcare costs.

Financial Support with Council Tax

The current proposals for UC already mean that workers above the tax and NI thresholds will lose 24 pence for every extra pound earned. We are worried that the exclusion of council tax benefit from the UC. We believe it risks adding complexity, reducing support to many low income families and further reducing gains from work. We recognise DWP’s intention to negotiate with the Department for Communities and Local Government, to ensure that whatever financial support for council tax is agreed, will be included in the single taper. The importance of this must not be underestimated and we stress that if this cannot be achieved, the Government should rethink the decision to localise support for paying council tax.

Extra Help for People in Work, With Disabilities/Health Conditions

The white paper proposes to give extra support to people who have been assessed as able to do some work, but who are at a disadvantage in the labour market as a result of a disability. There appear to be two mechanisms by which this support can be given

- a higher personal allowance (equivalent to ESA WRAG rate); and
- a higher earnings disregard.

It is not clear, however, who will be entitled to receive this help.

Through the disability element of working tax credit, the current system provides extra income for those who can work, but are disadvantaged and likely to have a lower earning power because of their disability. It

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202 Though technically the MDR will be less than this, because a parent will always pay some of the childcare costs not met by the UC (the suggestion is for 70% to be covered up to a cap), their experience will be to lose money for every extra hour worked/pound earned.

203 Someone offered an extra shift at work say worth £48 will have to work out 24% of this which is what they will keep (£11.52). They will then have to find out how much extra childcare they will have to pay for—if it will cost an extra £35 in childcare they will then have to work out what 24% of this is (£10.50) and then if any extra expenses such as fares will eat further into the remaining £1.
also enables them to become eligible for WTC when working fewer hours than those without a disability—currently 16. The disability element is vitally important in enabling people with disabilities and health problems to move into, and stay in, work. At April 2010 125,000 adults were in receipt of the disability element of WTC. We believe that take-up is low as some of the current criteria are poorly understood and are not well explained by HMRC. We have significant evidence of the disability element being removed incorrectly, and cases demonstrating a negative impact on claimants’ health and ability to work. We would expect the new system to provide support for a similar group of people but that access to the support should be simplified where possible.

Current entitlement is based on the ability to fulfil two criteria:
- they must continue to have a disability which puts them at a disadvantage in the labour market, and
- fulfil a benefit condition—either through receipt of DLA or complex criteria involving receipt of a sickness or incapacity benefit for some time at any time in the last six months before moving into work.

Entitlement to the disability income disregard must not be limited to claimants in receipt of DLA or moving from the ESA-equivalent into work, since many people currently entitled to the disability element of WTC (on the basis of DLA lower rate care) are likely to lose eligibility following the DLA review. Secondly, many people coming off ESA because they are judged fit for work, are still at a very significant disadvantage in the labour market—and would currently be entitled to support through the disability element of tax credits, if they find work within six months. It is very unfair that the timing of a work capability assessment could have such a long term effect on someone’s financial position.204

One possible option would be to extend the remit of the WCA to separately assess disadvantage in the labour market, as well as work readiness. Conditionality could then be tailored to the client, but people assessed to have a disadvantage in the labour market would still receive extra financial support related to their disability.

The allowances proposed in the UC when tapered away at 65%, will—at almost all points on the scale of hours worked—equal the level of support currently provided by the disability element of WTC.205 However, if the higher earnings disregard and the extra amount in their personal allowance is not available to those who have been found fit for work (but who have a very significant disadvantage in the labour market as a result of a condition or impairment), there will be many people who—even though they will be unable to work more than 16 hours—will be denied the extra help they need.

**Pensioners**

The introduction of Universal Credit will have implications for the system of financial support for people who are over state pension age (SPA). Currently, people who are over women’s state pension age may be eligible for pension credit, housing benefit, council tax benefit, help with mortgage interest, child tax credit and working tax credit. With child tax credit and housing benefit no longer existing outside the UC, a system of support for pensioners with children and housing costs must be established. The white paper proposes adding allowances in pension credit for pensioners with children and housing costs, but there will also be the need to provide support to families not eligible for pension credit. Current pension credit claims can include a partner who has not yet reached SPA. The white paper raises the possibility that people over SPA who are still working could choose to apply for UC rather than pension age benefits, but gives no details.

It appears to us that the pension age benefit arrangements will need to be modified so that older people will continue to receive the same level of support as they do at present. We hope that the government will bring forward specific proposals in the near future and will consult upon these proposals before legislation is finalised.

**In Work Credit/Return to Work Credit**

The current in-work credit amounts to £40 a week for the first year of moving into work. It is not yet decided whether equivalent extra financial support for those moving into work will be reflected in the UC. With the removal of hours rules for many people, the move into work will be a gradual one and the logic of providing extra support at a specific point becomes less clear. Evaluations of the value and impact of the in-work credit on lone parents return to work has found that other factors were generally more important than financial gains.206 It was found to provide extra support for those who would have moved into work anyway, while for some lone parents who had been out of work longer, it provided an important safety net, and removed some of the risks associated with a return to work—particularly if work was temporary, part-time or low paid. It proved particularly useful in helping lone parents adjust to a new way of budgeting on a monthly wage, and by providing an additional income and helping them deal with debts.

A much higher earnings disregard will help remove some of the risks from moving into work, while the reforms should mean people are less likely to be out of work for such long periods. We would therefore

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204 If two people become partially sighted at the same time, both are awarded ESA in the WRAG and both gradually adjust to their impairment. The person with the better qualifications is offered a job whilst still on ESA, the other person spends a year on JSA before finding a job. Both obviously have an ongoing significant disadvantage in the labour market.

205 There is a cliff edge in the present system where someone can earn more under the permitted work rules.

recommend that the money might be better spent supporting parents to provide up-front childcare deposits, or to enable people to continue paying for childcare when temporarily out of work.

**Passported Benefits**

Current proposals are that passported benefits are lost at set thresholds, not all at once, so there is no cliff edge when households lose all the extra benefits. However, different benefits are of different value to different households—the fact that free prescriptions are not lost at the same time as free school meals means nothing for someone who only needs prescriptions, whereas the value of free school meals is by far the greatest benefit to a family on low income.

We would welcome further consideration of the proposals for dealing with passported benefits as set out in *Dynamic Benefits*.

**Savings Rules**

There are no savings limits in the tax credit system. Only the interest earned on savings is taken into account when calculating claimants’ entitlements. If the UC has savings limits of £16,000, it will extend means-testing to thousands more families in low-paid work. This will have a significant impact on these families—not least because it will prevent them from being able to save for a deposit for their own property. As soon as their deposit savings hit £16,000 they will lose their entitlement to UC.

We welcome the extra disregards for those with a mortgage who are working and not eligible for housing costs. While we welcome this help for those with a mortgage, we feel it is unfair that many of those who are struggling to save a deposit to buy a house will be excluded because of the savings limit, whilst others are supported whilst building up a much greater equity in their property.

We feel that it is similarly unfair on couples in their fifties who have been on a low income and have been unable to buy a property (and therefore benefit from increased equity), but have made modest savings for their old age. It will particularly affect couples where a man has worked in a manual occupation all his life, becomes seriously ill in his fifties and suffers a significant drop in income. This group will also be affected by 12 month time-limit on contribution-based ESA for those in the WRAG group. People in this situation can currently claim working tax credit, but will get no help under UC.

We also believe it will increase error because it will create a new client group who are in work, but are not used to having to monitor their level of savings, and maintain it below £16,000.

**Housing Costs**

It is important that the housing element in the UC must reflect rent paid. The White Paper acknowledges the need for local variations to be taken into account, but does not provide detail about how the housing element will reflect local housing costs. How these areas are defined will be crucial if local variations in rent are to be reflected in the housing element. We already see problems with the setting of the BRMA areas. We are also concerned that the move to up-rate LHA rates in line with the Consumer Price Index (CPI), rather than by using local Rent Officer data will also break the link between local rent levels and housing benefit over time, causing problems for claimants in areas which, for local reasons, may experience an increase in rent levels above the average.

More significantly, use of the CPI seems likely to depress LHA rates over time, as rent inflation is traditionally higher than the CPI. During the period 1991–2009 ONS data shows that CPI averaged 2.86% pa whilst “rent only” inflation was 5.43%. This will therefore lead to a steady shrinking in the sector of the market which is affordable within LHA rates, and moreover appears to be in contradiction to the proposal to set LHA rates at the 30th percentile. In practice it would seem that uprating by CPI will mean that LHA rates will steadily reduce below the 30th percentile. In our submission to the Committee’s inquiry into the HB changes in the budget we argued that at the very least it will be crucial that the regulations provide for regular corrections to be made so that LHA rates continue to reflect the reality of local rents.

**Small Employers Who Currently Fail to Comply With Employment Law**

Bureaux currently report the difficulties faced by clients in accessing their employment rights: paid holiday entitlement, minimum wages or even getting payslips. This causes difficulty in reporting their income for housing benefit purposes. How will claimants be able to get their UC paid accurately if their employer doesn’t comply?

**Self-Employed People**

It is not clear how the new system will work for self-employed people who will presumably have to report their own income. Compliance with the system may be difficult for this group. We are already concerned because bureaux evidence shows us that many employers already force people to register as self-employed when they are actually employees, because the employers do not want the responsibilities of employment.

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207 Moreover this may be an underestimate of private sector rent inflation as it includes all rents (i.e. RSL and LA).
conditions. We are concerned that the added administrative responsibilities required by the UC system will exacerbate this problem.

We are very concerned at the proposal to assume an income equivalent to the minimum wage. Current rules limit how long the system will support a self-employed person before they are established and paying themselves an income. It is very helpful, however, to have a basic income to rely on in those early stages. Citizens Advice Bureaux see many people enabled to set up in self-employment as a result of this help. If they are assumed to have an income of about £200 /week, it will significantly restrict the ability of many to set up in self-employment.

Self-employment can be a particularly useful route back into employment for disabled people—particularly those with a fluctuating condition—as they can control when and how long they work. An employer is much less likely to be as accommodating to good and bad days. It therefore seems very short sighted to remove this help when there is such an emphasis on helping disabled people back into work.

Paying Elements Separately

The universal credit represents a high risk of people losing all their benefit income if the calculation of one element is delayed. It is important that a mechanism is found to ensure a minimum level of income if there are delays in delivering the benefit.

Furthermore, we recommend the ability to split payments between adults in a household, in order to retain a balance between “wallet” and “purse”.

December 2010

Written evidence submitted by the Federation of Small Businesses

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK’s leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 210,000 members, it is also the largest organisation representing micro and small sized businesses in the UK.

Small businesses make up 99.3% of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51% of the GDP and employ 58% of the private sector workforce.

The FSB welcomes the Government’s commitments to making work pay. However, it is important to stress the uncertainty of the current climate. In order for the Universal Credit model to work in the way it is intended, Government must create the right environment to encourage jobs growth.

The FSB also urges the Government to look at this area as a long term project as the benefits of work incentives and changing the whole benefits system will not produce immediate results.

As you will see below our response is divided into two parts, creating the right environment to enable jobs growth and getting people back into work.

We trust that you will find our comments helpful and that they will be taken into consideration.

Creating the Right Environment to Enable Jobs Growth

Reducing regulation

1. The complication of complying with numerous and in many cases disproportionate and expensive regulation acts as a disincentive for those wanting to expand their business. National Audit Office research has indicated that the constant flow and changes to regulations are the most burdensome aspect. In 2011 there will be substantial additional employment regulatory changes which will act as a further barrier to hiring staff. The forthcoming regulations include: Changes to Additional Paternity Leave, the introduction of the Agency Workers Directive, the phasing out of the Default Retirement Age and the introduction of Time to Train.

2. Regulation is a hidden tax on business. FSB research suggests that one third of small businesses still rate regulation as the greatest barrier that their business faces only behind cash flow problems and the recession. Previous Governments have failed to make the tangible reduction in regulation that firms require.

3. The FSB calls for the suspension of the introduction of any new regulation that negatively affects business over the next two years. We are also aware that there have been significant cuts made to Government budgets for advertising regulatory changes, making it even more difficult for small firms to find out how new regulation affects them. To further ease the regulatory burden, the FSB calls for mandatory common commencement dates for all UK regulation and mandatory post implementation reviews of all regulation affecting business—both stock and new. The FSB also calls for reform of the Local Better Regulation Office.
4. The FSB reminds the Government that all regulation should comply with the Hampton principles of better regulation. The Hampton Review produced principles of good regulation: consistency, transparency, proportionality, accountability, and targeted actions and measures. These should be consistently applied throughout the regulatory system. The FSB is concerned that these principles are not being upheld.

5. It is also important to mention that the introduction of the Universal Credit must not result in any additional burden for the employer. The FSB is particularly concerned that small businesses may have their time wasted by interviewing jobseekers who do not meet the job requirements and who are simply following a procedure in order to claim benefits.

Driving forward growth

6. It is the UK’s 4.8 million small firms that are critical to a private sector led recovery as they will boost tax revenues and employ the unemployed. The FSB suggests that in the short-term (within the next two years) the Government should expand the current National Insurance holiday scheme to existing micro businesses and that (as mentioned above) it must place a moratorium on the introduction of business regulation.

7. Under the FSB’s plans, businesses that have between zero and four members of staff would pay no employer NICs on the first, or next three employees it hires up to the first £5,000 in NICS liabilities. The relief would apply up to the Upper Earnings Limit of £844 a week per employee, or about £44,000 a year. The scheme would last as long as the current Government scheme.

8. Three new employees, on an average weekly salary of £489 (ONS Annual Survey of Hours and Earnings 2009) would save a small business £7,567.86 in one financial year under this proposal. This is an individual saving per employee of £2,522.62 in one financial year to the business.

9. The Treasury would benefit from the creation of new jobs and the income tax and employees NICs during the same period. For example, one employee at an average weekly salary of £489 would still contribute £5,958.48 per annum. For three employees this would generate £17,875.41 for the Treasury or an additional £10,307.55 (once the relief has been removed).

10. It is also imperative that by the end of the Parliament the Government creates more competition in the banking sector, be that through helping smaller banks get a foothold within the UK branch network, providing alternative sources of finance for small businesses to become ‘investment ready’ and simplifying the process of accessing state funded venture capital funds.

11. An FSB commissioned report by the Centre for Economics and Business Research shows that increasing the VAT threshold to £90,000, from the current rate of £70,000, could save up to £162 million per year from the reduction in red tape surrounding VAT compliance, as well as saving just over £700 million in VAT payments. This money could then be used to create up to 35,000 jobs if on an average wage. The increase in the threshold would benefit small businesses that will be adversely impacted by the impending VAT increase to 20%.

Encouraging self-employment

12. In the third quarter of 2010 there were 29.19 million employed people and 2.45 million unemployed people in the UK. During this period self-employment reached a record high of 4.03 million. The global economic crisis has had a significant impact on the private sector, resulting in hefty cost-cutting measures in businesses of all sizes. The Government has also begun to reduce public sector headcount to help balance the deficit. The number of people in public sector employment was 6.05 million in June 2010, down 22,000 from March 2010. This number is likely to increase significantly.

13. The self-employed contribute £21 billion in added value to the UK’s GDP every year and have proven themselves in adapting and adjusting to changes in the market place. With 18 unemployed people chasing every job vacancy and the spotlight solely on securing employment, there has been much less focus on the contribution self-employment can make to the UK economy. This must change in order to guarantee a new wave of long-term economic growth.

An international workforce survey found that the economic downturn had resulted in a growing trend toward self-employment and entrepreneurialism. The Kelly Global Workforce Index, found that the rise of the self-employed was most pronounced in North America, with 26% identifying themselves in this category, £10,307.55 (once the relief has been removed).

212 As above
213 According to figures by Oxford Economics compiled for PCG in 2009.
compared with 19% in Asia Pacific, and 17% in Europe. As the economy struggles, self-employment is likely to increase. Government must now create a permanent infrastructure where these increases are no longer counter cyclical.

Skills

15. The FSB welcomes the extra investment in apprenticeships. It is vital that small businesses, particularly micro-businesses, receive assistance from government to provide an apprenticeship to increase the growth potential within their business. Small businesses struggle with the bureaucracy of taking on an apprentice which is why we are calling for a greater nationwide focus on Apprenticeship Training Agencies (ATAs). These agencies would employ the apprentice and deal with matters such as sourcing training and administrative issues surrounding Employer Compulsory Liability Insurance. An example of an ATA is the London Apprenticeship Company, a self financed organisation, which a business will simply pay a flat fee too. The fee will include carrying out all of the bureaucracy of placing an apprentice and sourcing the relevant training.

16. The FSB is also calling on Government to invest in Leadership and Management Skills for the smallest businesses as often the limit is set at a business with at least five employees. By lowering the threshold to enable businesses, including sole traders, to co-fund leadership and management training we will see an increase in businesses looking to expand their staffing levels.

Getting People Back into Work

There must be cultural change at Civil Servant level

17. This is essential to ensure the reforms are delivered in the manner in which they are intended. Currently, Jobseeker Allowance claimants need to demonstrate that they are “actively looking for work” and a claimant can be refused benefits if they refuse a “reasonable” job offer. It is important to look at how these rules are interpreted in practice. For example, reading advertisements in the paper currently counts as one of the activities to demonstrate “looking for work”. It is also essential to define what is deemed to be a “reasonable” job offer—currently for the first 13 weeks of a claim there is more or less total freedom to turn down jobs, even if the person has claimed benefits many times before.

Flexible working

18. Small businesses offer flexibility and are generally the happiest places to work, as shown by a recent survey by the Trades Union Congress. The FSB–ICM annual “Voice of Small Business” survey in 2009 showed that 47% of small businesses have staff who work part-time, 29% have staff that work flexible hours and 27% have staff who work from home. However, the formality of numerous right-to-request applications is anathema to small businesses. What the statutory requirements have failed to do is open up the number of jobs available and advertised as being flexible from day one. In a survey of lone parents in December 2008, Ingeus found that the lack of availability of part-time and flexible work was the most frequently mentioned stumbling block for people trying to return to work.

19. The FSB strongly opposes further formalisation of the process and urges the Government to recognise the informal approach that small businesses take to flexible working requests from their employees.

20. The Labour Force survey has shown that small businesses have more part-time posts as a proportion of their workforce than do the largest businesses. However, as these businesses are the least likely to advertise and recruit formally for jobs, their vacancies are often not seen by people seeking part-time work. In its report Flexible Working: Small Business Solutions, the FSB recommended that Jobcentre Small Business Recruitment Helpline must help businesses design part-time and flexible jobs that suit their needs.

Childcare

21. A survey by the National Childbirth Trust showed that by far the biggest concern for women returning to work (60%) was childcare. Finding excellent-quality, affordable and flexible childcare is a major hurdle for parents returning to work. Parents who are happy with their childcare are more likely to return to work and be more productive when they are in work.

22. The previous Government responded to some of these problems with the current entitlement for all three- to-four-year-olds to receive 12.5 hours of free early education for 38 weeks of the year until they reach compulsory school age—rising to 15 hours per week from September 2010; however, there are problems with how this system is funded. With increased wage costs, curriculum demands and staffing regulations, nurseries see ever-rising costs that locally devised funding formulas fail to meet. Many nurseries provide the free hours at a direct loss to their business.

216 http://www.londonapprenticeship.co.uk/employers/our-services
217 http://www.freshbusinessthinking.com/news.php?CID=x&ND=x931&Title=Happiest+Employees+Work+For+Small+Businesses
23. The loss of private, voluntary and independent (PVI) nurseries only exacerbates the lack of choice and flexibility for parents in childcare provision. Underfunding free entitlement either pushes costs onto other children, or affects the overall quality of the childcare provided.

24. At the same time the free hours are aimed at certain age groups. For many parents contemplating returning to work after maternity leave, the costs they face for childcare in the first year of work are significantly higher. Furthermore, the cost of having a second child in care can make the decision to return to work economically unviable for a family.

25. In 2007–08 up to £10.5 billion\(^{219}\) in income-related benefits went unclaimed in Britain. The FSB believes that this needs to be better directed to ensure that parents can choose the childcare they want and that nurseries are fully funded to play their part in government initiatives.


27. **Create a childcare bond:** The average cost of childcare for a pre-school child in the UK is £152 a week. But this is subject to huge regional variation and costs also vary depending on the age of the child and the type of care received.

28. As regards the free hours already provided by the state for certain age groups, the FSB believes that, rather than an hourly entitlement, parents of children of these age groups should be given a voucher that has a set monetary value. The childcare provider can then decide what that voucher entitles the parent to. For some providers it may cover 15 hours; for others it may cover more or less time.

29. There are also differences between types of childcare. Bond allocation should vary regionally to allow for this discrepancy. This should be reviewed annually to match the findings of the Daycare Trust’s childcare costs survey and rises in the National Minimum Wage.

30. **Changing how Child Benefit or its replacement is paid:** Parents should have the option of taking this benefit as a childcare bond and the amount should not decline with the birth of subsequent children. There could be more money allocated for a childcare bond if the funds previously allocated for the now scrapped Child Trust Fund and any unclaimed income-related benefits were diverted to the new bond.

31. The FSB believes that giving incentives to parents to invest their bonds in childcare will enable more parents to return to work and move off benefits.

32. **Helping employers continue to support childcare:** It is vital that the Government continue to support childcare vouchers available through employers. Small businesses should be encouraged to take up childcare voucher schemes as they are the employers least able to come to other beneficial childcare arrangements for their employees. Government portals should have clear guidance on how to join a scheme and on the benefits for parents and employers.

**IT Issues**

33. We welcome the Government’s commitment to calculate and deliver electronic payment of the Universal Credit, automatically adjusting credit payments according to monthly income reported through an upgraded version of the PAYE system.

34. In our response to the Government’s consultation on welfare reform we noted that previous Government IT projects had not always been delivered to time and budget and in many cases need further work. It is with this in mind, that we suggest that a full audit must be made externally into all IT based Government projects in each of the last six years. This would establish, which, if any, contracts were delivered on time and to budget; those that required further work and cost in excess of original contract, those that required contract resubmission, further investment or in particular reworking to effect delivery and to make sure that those involved in supervision, audit and delivery be held to account. We feel that this principle must be established ahead of any further roll out of Government IT projects.

*December 2010*

**Written evidence submitted by Northgate**

**INTRODUCTION**

1. Northgate Public Services warmly welcomes the opportunity to respond to the House of Commons Select Committee enquiry into the White Paper on Universal Credits.

2. Our response focuses on key areas where we believe that the White Paper requires further development and the Committee could assist in that development. It highlights some of the key issues that need to be considered further in relation to disadvantage and inequality. It proposes user involvement in the design of the

\(^{219}\) BBC News article, June 2009 http://news.bbc.co.uk/1/hi/business/8118478.stm
system, improved service delivery through localised administrative support and a holistic approach to reaching out to the needs of the most disadvantaged members of our communities.

3. We believe passionately that benefits services must reach out to all within our communities who need them and that innovative responses are required to tackle long-standing inequalities within our communities. Reform of our benefits system should also be accompanied by a strategic approach that will create public value through encouraging active citizenship.

4. Firstly, we believe that it is essential that users are involved in the development of the reshaped service and that resources are diverted to encourage this. Our experience shows that far from delaying reform, this is an essential prerequisite that will drive the delivery of successful outcomes.

5. Secondly, we think it is essential that the digital divide is addressed convincingly and that local authorities are given a key role in commissioning and providing face to face and telephone advice support services for people with complex needs and for those who face the barriers of the digital divide. Experience from abroad shows that between 20–30% of claimants are unable to fully access self service and that they need some form of personal or telephone support. We believe that local authorities are best placed to commission or deliver such services.

6. Finally, we believe that local authorities which are being given responsibilities for public health well-being services should comprehensively address the needs of the most disadvantaged members of our communities, and address the wider inequalities and social determinants of health in a holistic fashion. In the long run we must address the root causes of long standing inequalities, if we are to have active citizens that recognise their responsibilities and are fully engaged in society.

**Universal Credit and the Current Benefits System**

7. This White Paper sets out the Coalition Government’s plans to radically reshape the UK welfare benefits system by creating a new universal credit. Universal Credit will radically simplify the benefits system. It aims to make work pay and combat worklessness and poverty.

8. Northgate warmly welcomes the Government’s rethinking around the benefits landscape. Reform of the system is long overdue. The complexity of the current structure of the benefits system is compounded by the complexity of citizen transactions with a myriad of agencies. Failures within the delivery system include problems with the design of the system, poor service standards and administrative errors.

9. We agree that there is a need to simplify and streamline both the benefit structure and the delivery process. Many claimants find it difficult to understand how their incomes will change as they move into work and how this may create uncertainty and risk for the individual and their families in terms of their immediate income.

10. We therefore welcome the Government’s recognition of the need for greater security and clarity for claimants as well as the need for a system that is more responsive and personalised that minimises the barriers to work for individuals and reduces poverty and inequality. There is a need also to improve service delivery, reduce errors within the system and achieve better levels of benefits.

11. The Government’s plans will not only reshape and rationalise the benefits supply chain, they could also release valuable resources to ensure that those who are most disadvantaged and who find it most difficult to engage and interact with the current benefits systems will be better supported to do so.

12. By addressing the needs of the most disadvantaged, the Government would support its fairness agenda through promoting policies and practices that reduce inequalities.

**Reshaping Services**

13. The changes that the Government proposes will affect millions of people. For this reason it is critical that a staged approach to change is adopted. The detail behind the transition is vast and the transition to Universal Credit is likely to be complex and risky.

14. Delivery is absolutely key to the success or otherwise of the new system. There is a danger that in simplifying the system, it will be standardised and fail to address the complex needs of many of the people who depend on it. Failure to do this would result in systemic failure of the reformed system.

15. This risk can be reduced through engaging the user in the shape and design of service, and in ensuring that services are responsive and personalised and meet the needs of the most vulnerable of claimants.

**Engaging the User**

16. As the Government moves to make Universal Credit fully operational, it is essential that the system that currently supports the execution of some thirty benefits with a number of agencies involved, or in the case of Housing Benefit with delivery partners such as local government, not only maintains but improves service delivery for claimants, particularly in these challenging economic times.
17. Our experience of changes that have taken place in both Australia and Canada shows that in the radical reshaping of public services through Centrelink in Australia and through Service Ontario in Canada, it was impossible to achieve success without taking into account what had gone on before and rejecting a blank page approach.

18. Both Centrelink and Service Ontario analysed the full complexity of the bureaucracies they were seeking to reshape so that they were able to rationalise these and redesign citizen-centred services through a range of tools including process mapping and usability testing. Just as importantly they worked to ensure that the user of the service was put at the heart of the redesign of delivery services.

19. Involving service users at every stage in redesigning services will be critical to achieving the Government’s vision. It is our experience, and that of the Australian and Canadian examples shown above, that a commitment to usability testing and involving citizens in reshaping service design, far from serving as a brake on the pace of development, actually speeds up the drive towards achieving successful outcomes and sustainable services.

**The Digital Divide**

20. The Government has said that the administration of Universal Credit will be the responsibility of a single department, the Department for Work and Pensions (DWP) rather than the mass of organisations currently involved. The proposal is that as Universal Credit will be automated, most people will claim online.

21. What better localised benefits than to be able to access them in your own home, at your own computer and online. This is good news for all those who have access. Our concern, however, lies with those individuals who do not currently have access to benefits, or who have complex needs and for whom online support needs to be backed up by personalised telephone or face to face advice.

22. The 2010 Internet Access Survey of Households and Individuals produced by the Office of National Statistics demonstrates that 27% of households do not have internet access, and over nine million individuals have never used the internet. The same study demonstrates that 71% of adults in the North East have never used the internet compared with 87% of adults in London. Thirty nine per cent of people who said that they had an illness or disability have never used the internet, compared with 14% who said they had none. Ninety eight per cent of individuals with incomes over £41,000 had access to the internet, compared with 69% of those with an income under £11,000.

23. The experience of both Centrelink and Service Canada is that, between 20 to 30% of the population who have both a need and a benefit entitlement, are not in a position to move onto entirely self-service models of operation and will present agencies with complex and often multi-agency requirements.

24. We believe that it is essential, in planning and resource terms, that the need for such services should be factored into the Government’s delivery plan to ensure that significant resource and capability is diverted into both face to face and telephone support.

25. So while a strategy to move to online access makes great sense for the future, the impact of the digital divide needs to be more closely considered in the short to medium term, at the very least, to ensure that there are measures that accommodate the needs of the most disadvantaged in our communities, particularly the elderly, the disadvantaged and those on low incomes. In the longer term, the evidence from Australia and Canada suggests that there will continue to be a need beyond online services.

26. This will require multi-faceted systems which combine face to face advice and telephone support with online technology.

27. The Coalition Government’s White Paper recognises that there will continue to be a minority of people who cannot use online channels. It says that it will offer alternative access routes, predominantly by phone but also face to face for those who really need it.

**Personalised and Localised Support**

28. We support government measures to shift power downwards and outwards into communities. We believe that localised administration allows for more innovation and flexibility which can improve service outcomes for those with complex needs and those who currently have no online access.

29. While we think that there is an argument that local authorities could deliver Universal Credit as agents of the DWP, we are aware that the Government has decided against this option. To some extent we believe that this runs counter to a localised approach.

30. However, the Government’s proposes to localise parts of the employment and welfare system. For example, it is currently considering options for passing responsibility for certain elements of the Social Fund to local authorities. It also intends to reform the current system of Community Care Grants and Crisis Loans and enable local authorities to deliver a grant facility locally.
31. The Government says that localising these discretionary elements of the scheme, which are most viable for local delivery, would make them better tailored to local circumstances and more effectively targeted at genuine need. The Government is also proposing to give local authorities a role in localising Council Tax.

32. At the same time, Jobcentre Plus will be given more freedom to work in partnership at a local level and to respond to local needs. Providers of the Work Programme will be expected to work in local partnerships to meet the needs of individuals and their communities.

33. We believe that localised administration allows for more innovation and flexibility which can improve service outcomes for those with complex needs and those who currently have no online access.

34. While we do not support localised Universal Credit rates, as this would lead to inequities, postcode lotteries and add to the complexity of the system, we do believe that there is a role for localism within the administration of the welfare system and that this should be commissioned through the gateway of local authorities.

35. The Government says that it is considering whether there may still be a role for local authorities in dealing with non-mainstream Housing Benefit cases (for example, people living in supported or temporary accommodation). It is also considering whether local authorities may also have a role to play in delivering face-to-face contact for those who cannot use other channels to claim and manage their Universal Credit.

36. We believe that local authorities should be given a key role to play in providing residual benefits, face to face advice, one-to-one support and telephone support for claimants whose needs are complex or who face the problem of the digital divide.

37. This could be provided directly by local authority employees who have the knowledge and experience in delivering housing benefits and broader advice or by commissioning voluntary and not for profit organisations that support local people in their community. Broader benefits advice could be provided by the local authorities using rules-based software and specialist and non-specialist support.

38. We understand that this would provide a requirement for information to be shared, and for technology to be compatible and accessible. We believe that the benefits of improved and personalised service delivery would outweigh the costs of any infrastructure, and the added complexity of providing face to face advice.

**Promoting Well Being and Public Health**

39. We further believe that local authorities could deliver a dynamic and holistic and personalised well being service for their most disadvantaged claimants, which includes employment, money advice, health, leisure and education, consistent to the wider role that they will have in addressing public health working in partnership with the not-for-profit and private sectors.

40. This should be developed in conjunction with Jobcentre Plus and other relevant organisations including for example GPs who will have a pivotal role in commissioning health services in local communities. The links between being healthy and being in employment are well evidenced.

41. Under the Coalition Government’s proposals, upper tier local authorities will be placed at the heart of public health. Directors of Public Health will lead the work, working across the NHS with other public, not for profit and private organisations. A health premium will reward authorities who deliver against the public health outcomes.

42. The Marmot Review highlights the importance of addressing holistically issues relating to the social determinants of health and empowering individuals within their communities.

43. With local authorities having residual powers and resources to provide benefits support, they could use this as a platform to provide or commission individual well being programmes for their most disadvantaged citizens. This could address poverty and seek to create better public value and a better quality of life for citizens, driving up the costs of any infrastructure, and creating a real difference to those who face most inequalities in life.

44. This would help to support better outcomes for people and deliver the Government’s objective to improve health and well being. Authorities who adopted such an approach would, of course, benefit from the health premium proposed by the Coalition Government so long as they delivered health improvements. Central Government would benefit from a more localised approach to the needs of the most disadvantaged and communities would benefit from more support for active citizenship.

45. In the long run, we must address the root causes of deep-rooted inequalities and build holistic services that take account of the particular needs of the country’s most disadvantaged individuals. We all want a sustainable society composed of active citizens that recognise their responsibilities and are fully engaged in society. Central government has the opportunity to support this vision through using its welfare reform.

46. We believe, therefore, that the Committee should encourage Central Government to use local authorities as the spearhead for improving and sustaining welfare reform, addressing the digital divide and promoting individual and community well being as an integral part of that reform.
About Northgate Public Services

47. Northgate Public Services is an innovative provider of transformation and improvement services to the public sector. It is committed to high quality public services that place individuals and their communities at their heart. Its knowledge and understanding of people’s needs are core to its business, as too, is its depth and breadth across public services.

48. Northgate’s task is to enhance public value through the intelligent use of people and technology; to understand why and what change is necessary; to provide new thinking leading to improved performance; and to link company rewards with positive outcomes for the communities for whom it works.

49. Northgate supports transformation through sustainable performance partnerships. It partners over 95% of UK local authorities, every UK police force and over half of all fire brigades and ambulance trusts.

December 2010

Written evidence submitted by London Councils

Summary

London Councils is committed to fighting for more resources for the capital and getting the best possible deal for London’s 33 local authorities. We lobby key stakeholders, develop policy and do all we can to help our boroughs improve the services they deliver. We also run a range of services ourselves, all designed to make life better for Londoners.

We are committed to helping ensure that London local government has the freedom, resources, power and capacity to make life better for Londoners.

The proposals within the White Paper clearly demonstrate the Government’s views on the role the welfare benefit scheme will play in social policy. There are practical implementation issues associated with these proposals that may lead to unintended outcomes. It is vital that the design and management of the new scheme is carefully thought through.

In many ways London is distinct, and this is reflected in the impact and effectiveness of current welfare provision. The Government should consider whether a national welfare benefit scheme can successfully tackle poverty and worklessness in the capital. Benefit provisions that reflect the unique circumstances found in the city are needed to both achieve the Government’s objectives and meet the needs of Londoners.

The main points of London Councils’ response to the Government’s White Paper are:

— London Councils proposes that the Universal Credit includes provisions that:
  — set financial support for those claimants living in the capital at a level that reflects the actual cost of living in London.
  — withdraws benefit at a rate that makes work pay for Londoners; and
  — ensures Londoners receive the same advantages from moving into work as those outside the capital.

— The Universal Credit needs to work in harmony with the wider reform of affordable housing and the new HCA “80% affordable rent” product to ensure that low income households are able to access suitable housing and work in London.

— London boroughs have, and will continue to have, a significant part to play in the delivery of welfare support. This role will change significantly. It is essential that the DWP engage with the boroughs at the earliest opportunity to plan and scope these changes. It is also essential that boroughs are properly resourced to manage the transition and ensure they continue to provide a good service.

— London Councils supports moving to a more simplified welfare benefit scheme. Complexity is a significant barrier to work; it causes concern about how benefits will be affected after a move into work and also results in a low awareness of in-work benefits.

— London Councils agrees that the primary route out of poverty is work. The welfare benefit scheme must encourage people into employment. London Councils supports increasing the financial rewards from employment and the rate at which benefit is withdrawn more consistent. We also recognise that there is a need for a “safety net” to support those who are either unable to work or have caring responsibilities that provide a wider benefit to the community.

— London Councils believes that the key to a sustained reduction in expenditure is to reduce the level of benefit dependency. It is essential that the welfare benefit system works with the wider work and skills agenda to ensure that all groups are supported into the labour market.
1. INTRODUCTION

1.1 This document sets out evidence from London Councils to the DWP Select Committee on the impact of the proposals contained within the Government White Paper, “Universal Credit: welfare that works”.

1.2 The effectiveness of the welfare benefit scheme has far reaching significance for London. In a city with 39% of children living in poverty,220 over 24% of the working age population economically inactive221 and with housing costs the highest in the country,222 it is vital for London’s economy that the scheme not only promotes the move into work and provides support to progress whilst in work, but continues to support those in greatest need.

2. LONDON COUNCILS KEY PRINCIPLES ON WELFARE BENEFIT REFORM

2.1 The key route out of poverty is finding work and welfare provision should reflect this ambition. There will be families for which work is not a viable option and who will need continuing support.

2.2 A future welfare benefits scheme should be built on and guided by the following principles:
   — Cost effective delivery.
   — Transparent.
   — Understandable.
   — Minimises fraud.
   — Increases incentives to return to work.
   — Recognises and appropriately reflects London’s higher living and housing costs.

2.3 The welfare benefit scheme must encourage people into employment. We also recognise that there is a need for a “safety net” to support those who are either unable to work or have caring responsibilities that provide a wider benefit to the community.

2.4 London Councils acknowledges the need to reduce welfare benefit expenditure. We believe that the key to a sustained reduction in expenditure is to reduce the level of benefit dependency. It is essential that the welfare benefit system works in parallel with the wider work and skills provision to ensure that disadvantaged groups are supported into the labour market. In London, those with low skills face an added difficulty in securing employment in the face of competition.223

2.5 London Councils also supports the proposal to increase the financial rewards from employment. London has a higher rate of in-work poverty than any other region in the UK.224 As well as making work a more attractive option, by slowing the rate at which earnings reduce benefit entitlement, low earners will have more incentive to increase their skills and experience, and consequently the potential to increase their income.

2.6 London Councils supports the creation of a Universal Credit as a significant step in reducing complexity. Complexity significantly inhibits the move into work. This complexity also inhibits the take-up of benefits, particularly in London, which has a diverse and highly mobile population.225

2.7 London Councils supports the simplification of the taper system that withdraws benefit at a slower rate. Income related benefits currently attract a considerable marginal tax rate with upwards of 85p in the pound being clawed back. When the additional costs associated with moving into work are taken into account, the financial reward from moving into work is, in some cases, perceived as insufficient incentive. These additional expenses are significant in London. Apart from the higher rent levels, child care costs are around 25% higher than the national average and can exceed the maximum childcare support allowances by up to £60 per week.226

2.8 The level of in-work poverty in London is higher than in any other region. Slowing the rate at which support is withdrawn will help to provide financial stability for those entering employment. This in turn should

221 Annual Population Survey Sept 2009 (https://www.nomisweb.co.uk/)
222 City Parochial Foundation and New Policy Institute, London’s Poverty Profile. Analysis based on DWP data (Households Below Average Income, average of 2005–06 to 2007-08).
223 Recent research shows that there are three low skilled London residents for every low skilled job in London—see “Employment Opportunity for All: Tackling worklessness in London”, (2007), HM Treasury.
224 For example, the proportion of children in low-income households is double that of the UK as a whole—about 10% of children in “all-working” families in Inner London and Outer London, compared to 5% in the rest of England (see City Parochial Foundation and New Policy Institute publication, London’s Poverty Profile).
225 Estimated caseload take-up of working tax credit and child tax credit could be as low as 57% in London. This is the lowest estimated take up rate among all the English regions by some margin; the next lowest estimate of case load take up is 72%—HM Revenues and Customs Analysis Team, Child Tax Credit and Working Tax Credit, Take Up Rates, 2004–05, 2007.
226 In a survey carried out on behalf of the childcare charity Daycare Trust, The highest childcare costs in the survey were found in London and southeast, with a nursery place for a child under two typically costing £197 per week in inner London, compared to the national average of £144 per week.
227 2006 DfT analysis of Train Operating Company fares.
allow time for low earners to use the skills and work experience acquired to trade up into better employment, rather than slip back onto benefit. Both low earners and employers can then actively engage in training and advancement initiatives and have more opportunity to increase their skills and experience, and consequently the potential to increase their income.

3. The Impact of the Universal Credit in London

3.1 There is a strong argument to be made for separate London benefit provisions within the scheme, not just with regard to payment levels, but also as to how the scheme is delivered. The design of the Universal Credit is predicated on benefit levels set using a formula based on national parameters. However, these national parameters do not reflect the actual cost of living in London, which is significantly higher than in the rest of the UK. Benefit levels should not be set nationally but calculated on a regional cost of living index. London needs a welfare benefit scheme that is flexible enough to prevent undue hardship but that does not act as an attractant or makes the scheme unduly costly.

3.2 Providing financial support that is relative to the local economic situation and the local labour market can act as a further steer towards employment. London has greater competition for entry level jobs. Coupled with this are the capital’s higher transport costs, inhibiting a move into employment where travel is a significant factor.

3.3 In a similar vein, many of the low entry jobs do not include a London weighting to reflect the higher in work costs in the capital. The benefit budget can be adjusted to provide more support for in work claims rather than for those seeking work.

3.4 London Councils believes it is time that Government consider whether a more local approach to welfare provision offers a more effective solution to tackling worklessness and benefit dependency.

3.5 Welfare support is currently centralised in a one-size-fits-all package. This clearly does not reflect differences in the cost of living between areas. From a market perspective, varying rates of benefits, to reflect local labour markets makes perfect sense. Introducing the flexibility to reflect these differences will allow:

- benefit awards to be at a level that reflects the actual cost of living in the capital;
- for a slower rate at which benefit is withdrawn when moving into work, to adjust for the incidence of entry level jobs that do not attract London weighting or a London living wage;
- benefit rates should take into account the higher cost of renting larger "80% affordable" homes in the RSL sector. Modelling by both the Homes and Communities Agency and Communities and Local Government indicates that, in the social sector, the full cost of the new HCA "80% affordable rent" product will not be wholly covered by the universal credit, particularly for households living in larger homes in London; and
- the conditions attached to benefit awards to be flexible, such as payment direct to landlords to encourage them to remain in the market.

4. How Should the Universal Credit be Delivered in London?

4.1 There are potential issues for Londoners with the Universal Credit portal, particularly for new Londoners. Accessing the Universal Credit and maintaining an account will require online access. Of the 10 million people in the UK who have never been online, 47% are from low income families.228 For a city with a diverse and highly mobile population like London this could cause difficulties, especially when the possibility of a £50 civil penalty being imposed for failing to report changes is factored in.

4.2 For households where online channels are not appropriate, it is essential that alternative arrangements are available. There is likely to be a significant call on these alternative options particularly when the Universal Credit is introduced. There is potentially a role for the London boroughs in providing this alternative provision; however there will be a need for the DWP to adequately resource this.

4.3 There is an ongoing need for face-to-face contact and some paper transactions for those with benefits outside the current universal credit scheme. London boroughs are ideally placed to provide this service, if properly resourced.

4.4 London boroughs have had a significant part to play in the delivery of welfare support through Housing Benefit payments. As support for housing costs will be included within the universal credit, this role will cease. Transitional arrangements will need to be put in place to wind down this activity and reduce the service accordingly. There will be an ongoing role in rebating local Council Tax and, pending reformation of the Pension Credit scheme, some residual Housing Benefit responsibilities for pensioners. There will also be a new role for boroughs as discretionary payments, previously dealt with as part of the Social Fund will be devolved to local authorities. London boroughs also have an ongoing responsibility to support their more vulnerable residents, who may find themselves at the margins of the Universal Credit scheme.

4.5 It is therefore essential that the DWP engage with London boroughs at the earliest opportunity to properly plan and scope these changes. It is also essential that the boroughs are properly resourced to not only manage

the transition, but are able continue to provide a good service to those benefit recipients not covered by the Universal Credit and for whom they maintain a responsibility.

4.6 The government should look at the wider provision of welfare advice, particularly financial management. Low income families and those on benefits have difficulty in obtaining affordable credit when it is most needed, for example, moving into work. The Government should help develop a range of accessible credit products, at fair and transparent rates, where consumers have the appropriate information and capability to make informed borrowing decisions.

4.7 London boroughs have a proven record of providing efficient and effective services, and have been at the cutting edge of innovation to improve the welfare benefit scheme. As the reform agenda moves onto the next chapter, there is a continuing role for the boroughs which should not be overlooked by government.

December 2010

Written evidence submitted by Barnardo’s

INTRODUCTION

1. Barnardo’s works directly with more than 100,000 children, young people and their families every year in 415 services across the UK. These services are located in some of the most disadvantaged neighbourhoods. We work with children affected by today’s most urgent issues: poverty, homelessness, disability and abuse. Barnardo’s aims to reduce the impact of poverty on children, young people, families and communities through social, economic and community action—around one third of our work focuses on the alleviation of poverty, and it is an inescapable element of nearly all our services.

2. In early 2009 we published Below the Breadline, a year long study which followed 16 families, and provided a detailed insight into the day to day lives of children growing up in poverty. Issues with the benefits system, and barriers to entering work, came out as significant themes from this research. Reform of the benefits system is critical if we are to break the entrenched culture of unemployment that can exist in some communities and ensure the Government meets its target of eliminating child poverty by 2020.

SUMMARY

3. Barnardo’s welcomes the White Paper and the proposal to improve work incentives in the benefits system by the introduction of a Universal Credit. We believe the proposal could go some way to reducing complexity in the current system and ensure that families are always better off in paid work than on benefits, even if that work is only for a few hours a week. However, such a radical reform of the benefits system requires careful planning and consideration of a range of issues and while we are supportive of the proposals we have some concerns about the detail. Our main concerns are as follows:

— Help with childcare costs. Families should be provided with sufficient help with childcare costs, in a way which is transparent and that facilitates parents moving into and progressing in work.

— Changes to council tax benefit. The proposal to localise council tax benefit should not undermine the basic principles behind Universal Credit, particularly the aim to encourage paid work through the introduction of lower marginal deduction rates for most families.

— Means testing of child benefit. There should be a single mechanism for means testing benefits. As such we believe that child benefit should be paid and means tested through Universal Credit rather than through the tax system.

— Introducing harsh sanctions for families who do not undertake reasonable steps to find work. The White Paper outlines a significant increase in sanctions for families who do not take reasonable steps to find employment including a mandatory requirement to undertake work. While broadly supportive of these principles, changes to this regime should not be such as to make life worse for the most vulnerable children in the UK.

4. We would welcome the opportunity to give oral evidence to the committee.

HELP WITH CHILDCARE COSTS

5. Evidence continues to show that access to affordable, good quality childcare is a key element in the decision to return to work for many families with children, particularly lone parents. A report by the Equality and Human Rights Commission revealed that 28% of all non-working parents said they are not working because of inadequate childcare provision, while more than half of non-working lone mothers say they would prefer to work if they could find good quality, affordable and reliable childcare. This same report revealed that

229 Barnardo’s, Below the Breadline: A year in the life of families in poverty (July 2009), available online at http://www.barnardos.org.uk/11325_breadline_report_final.pdf

the cost of childcare was a significant issue for families with around one in five parents who pay for childcare saying that they struggle to meet their childcare costs.

6. This research backs up findings from Barnardo’s which show that the availability and affordability of childcare are absolutely key in the decisions of parents to enter and remain in the workforce. In our response to the Green Paper 21st Century Welfare we highlighted the following case study of a family where the mother has had to give up work completely due to lack of help with childcare costs—which under the current system is only given to parents working at least 16 hours a week.

Michelle has four children aged 18, 14, 11 and 4. She left her job as a youth worker because her hours were cut from 16 to 7. This meant she couldn’t claim working tax credit and didn’t qualify for other benefits such as housing benefit and free school meals for her children. It no longer paid Michelle to stay in work. As Michelle explains, there are not many opportunities for youth work in the area:

“Hours, not enough hours. Sometimes they start off with six or seven—depending on the funding they might be able to give you a couple more hours here. If the funding runs out you have no job.”

7. The White Paper remains vague on how the Government proposes support with childcare to be given under the new Universal Credit system. Current Government thinking suggests a number of options are under consideration, which include:

— **Option one**: allowing childcare costs to be disregarded for the purpose of calculating taper rates under Universal Credit.
— **Option two**: adding a childcare element to the basic Universal Credit payment for families requiring help with childcare costs.
— **Option three**: dealing with childcare support outside the system of Universal Credit, either through a voucher or discount based system.

8. Barnardo’s believes the Government should establish a set of guiding principles when developing a system for supporting childcare costs. As a minimum we would hope for a system which:

— is transparent and simple to understand;
— supports the provision of high quality childcare; and
— supports a move into and progression through work for parents.

As a minimum the Government should aim for a system which provides a level of support with childcare costs which is at least equivalent to the level provided under the current system. In the Comprehensive Spending Review the Government announced a reduction in support for childcare costs given through the working tax credit from 80% to 70%. Any further cuts to this budget will affect work incentives for many families at a time when the Government’s stated objective is to improve them.

9. Considering these principles we believe that option one provides the worst option for families as it fails to support a move into and progression through work for certain groups of parents, while making many others worse off than under the current system. Options two or three are more effective as they involve giving families a direct payment to help pay their childcare costs.

10. Dealing with childcare costs through the disregard would make many families worse off than under current working tax credit measures. This is because in reality even if childcare was disregarded at a rate of 100%, this would effectively give families a maximum level of help of 65% (the level of the taper rate), and many families would gain significantly less than that. This compares to a maximum level of help of 70% under working tax credit. This point is illustrated in example one below.

**Example one: single parent with two children**

Wage: £5.93
Hours worked per week: 20
Assuming low childcare costs of only £40 per week and maximum entitlement to Universal Credit equivalent to levels under the current system of around £300 per week.

Under proposals in the White Paper assuming housing costs of £72 per week (equivalent to social housing for a family of that size), and childcare disregarded at 100% then a family would end up with the equivalent of around £23 a week to help with childcare through the disregard.

However under the current system the family would receive the full amount of childcare costs given under working tax credit and so would gain 70% of their childcare costs, and receive an extra £28 for childcare. Thus the family gains less help for childcare under the disregard system than currently.

11. In addition we also believe that there are two main groups of families who would face particularly poor work incentives under this system (particularly in comparison to a system more in line with option two or three). Again this would be the case even if childcare was disregarded at the generous rate of 100%; these are:

— families working only a few hours a week for a small amount of money i.e those in “mini jobs”; and
— families with high childcare costs, particularly those with more than one child, those with younger children under the age of two, or those living in London.
Families Working Only a Few Hours a Week

12. One of the aims of the proposals in the White Paper is to ensure families have an incentive to undertake some paid work, even if this is only for a few hours. We applaud that principle and look forward to it being implemented. However, under the current system many families face very poor work incentives for working less than 16 hours a week (when they become entitled to working tax credit). The Government recognises that childcare is an important part of this stating that “The aim would be to allocate some of the current support to those working fewer than 16 hours, so that all types of work are rewarded”. However under a system which only gives support with childcare costs through the disregard it is highly unlikely that many of these families would qualify for any support with childcare at all as example two illustrates.

Example two: single parent with one child

Wage: £5.93 per hour
Hours worked per week: 8
Assuming childcare costs of £48 a week and a maximum Universal Credit entitlement of £230

Under proposals in the white paper, assuming housing costs of £67 a week (equivalent to social housing for a family of that size), the family income of £2467 a year would be less than the disregard they would get even if there were no childcare costs—which is £2,474.

This mother would therefore gain no extra help with her childcare costs and as childcare will in this case exceed her wages of £47.44 a week, then she would be better off on benefits with no childcare costs than working and paying childcare.

Families with High Childcare Costs

13. A second group disadvantaged by this system would be families with large childcare costs, particularly if they are earning only slightly more than the disregard. This will have a disproportionate impact on lone parents with more than one child, and those with children under two for whom the average cost of full time nursery care in England is £176 a week.231

Example three: single parent with two children

Wage: £5.93
Hours worked per week: 35
Assuming childcare costs per week: £200 and a maximum entitlement to Universal Credit entitlement: £300

Under proposals in the white paper assuming housing costs of £72 per week (equivalent to social housing for a family of that size), the family would still only be entitled to 300 a week Universal Credit even after childcare is disregarded at 100%. However the net wage is only £180 a week after tax, and since this family has to pay £200 a week in childcare, they have only £280 a week to live on after childcare costs. less than the £300 a week they would get if they did not work, did not pay childcare and just gained the full amount of Universal Credit.

Under the current system this lone parent would still be getting around £140 a week towards childcare costs through the working tax credit payments, making them better off in work despite the high childcare costs.

Given the issues highlighted above we would strongly urge the government to consider

14. Given the issues highlighted above we urge the Government to provide families with a specific additional benefit payment towards childcare costs. Given that the amount families receive would need to be means tested it would seem easiest to do this as part of their Universal Credit payment, and would represent an amount added to the basic Universal Credit award for working families. Alternatively, Barnardo’s would work with Government and other experts to consider how proposals to pay through a voucher system may work in practice. If childcare was added to the basic Universal Credit award at a rate of 70%, this would provide a better take home income after childcare per week than under the disregard, for all of the examples given below.

— Example one: under the disregard the parent would have a take home income after childcare of £353, whereas they would have a take home income of £358 if childcare is added to Universal Credit.

— Example two: Under the disregard the parent would have a take home income after childcare of £229, whereas they would have a take home income after childcare of £262 if childcare is added to Universal Credit.

— Example three: under the disregard the parent would have a take home income after childcare of £280, whereas they would have a take home of £332 if childcare is added to Universal Credit

15. As a minimum the amount added to Universal Credit should represent around 70% of childcare costs for the poorest families, equivalent to the support provided under working tax credit after the reforms announced in the Spending Review are implemented. In reality even this would result in a reduction in childcare help for

many families since under the current system childcare can also be disregarded for the purposes of housing benefit payments; as such help at 80% would reflect more accurately current levels of support for families.

COUNCIL TAX BENEFIT

16. Barnardo’s would be very concerned at any proposal to place council tax benefit outside the Universal Credit system. As a means tested benefit, the introduction of a separate system for applying for and calculating levels of council tax (including separate disregard and tapering system) could significantly undermine the Government’s intention to introduce a single coherent benefit system, introducing added complexity and the possibility of reducing work incentives for those who would otherwise have gained through the introduction of Universal Credit.

17. The key difficulty with keeping council tax outside Universal Credit is that it will require a separate tapering system. Under current Universal Credit proposals no family would face marginal deduction rates of more than 76%. However if separately for every £1 earned the family would lose not only 65p of Universal Credit but 20p of council tax benefit (a taper rate similar to that in place now), then overall including tax and NI once a family income reached the disregard level then for every £1 earned the family would keep only 4p of it giving a marginal deduction rate of 96% significantly decreasing work incentives.

18. While we understand the Government wishes to give local authorities more control over council tax benefit payments we would strongly urge that this is not allowed to undermine the very valuable principles outlined in Universal Credit. As a minimum we would suggest that even if overall eligibility and level of council tax benefit is decided at a local level, it is still added to basic Universal Credit payments, thus enabling it to be amalgamated into the proposed system of disregards and tapers already in place. This would ensure that the proposal doesn’t interfere with the objective of improving work incentives and reducing marginal deduction rates for poor families.

CHILD BENEFIT

19. Following proposals outlined at the Conservative Party conference and confirmed in the Spending Review the Government has made the decision to means test child benefit by removing this payment from families with a higher rate tax payer. Barnardo’s has been supportive of restricting child benefit payments to higher income families. In difficult fiscal circumstances we believe that the best approach to reducing the cost of the welfare system is to ensure better targeting of the limited resources available, thus protecting those most in need while redistributing benefit payments currently given to higher earning families.

20. We feel that the proposal to remove child benefit payment from households with higher rate tax payers was a step in the right direction. However there are a number of policy anomalies with this decision, particularly in that the benefit is not tapered but given either in full or not at all. This means that for individuals whose income is approaching the higher tax band they would be better off not earning more money, refusing extra hours, or a promotion, rather than earning slightly over the threshold since the extra income earned will not make up for the benefit lost, particularly in households with several children. This runs in direct contradiction to the policy of ensuring that work always pays and that earning more pays more.

21. The introduction of Universal Credit provides the ideal opportunity to simplify the issues surrounding child benefit, by paying it alongside other means tested benefits. This would remove current anomalies and allow for further targeting. At present some households earning £80,000 can still qualify for the benefit. We have always stated that the savings which could be achieved through means testing child benefit could amount to around £5 billion—this is £2.5 billion more than the savings proposed by means testing through the tax system. Saving a further £2.5 billion would provide valuable extra income which could be used to increase benefit payments to the poorest families and possibly lift significant numbers of children out of poverty.

22. The payment of child benefit through Universal Credit would simplify the system of payment for families and would remove the need for low income families to make a separate claim for child benefit.

CHANGES TO THE CONDITIONALITY REGIME

23. It is entirely reasonable that long term recipients of unemployment benefits should be required to work when a suitable job is identified for them and this is a well established principle in the current system. Many conditionality requirements proposed in this White Paper are not new and there have always been sanctions for non compliance. We know from the current system that the number of times sanctions are applied are small and would remove the need while redistributing benefit payments currently given to higher earning families.

24. However we do have concerns about elements of some of these proposals and how they could impact on vulnerable families:

— Will lone parents with a child under the age of 13 be exempt from the requirement to undertake full time work even when placed in the active job search group? At present these parents are only required to look for a job covering normal school hours (not full time) and it would therefore be unfair to expect them to undertake mandatory full time work in preparation for getting a part-time job. Childcare costs could also be an issue for this group, depending on the Government’s final decision on how help with childcare costs should be determined.
Will proposals to reform the hardship payments take away vital support to families most in need? Even if a family has conditionality applied to them they are still able to make a claim for a hardship payment to avoid serious destitution. The Government proposals for hardship payments in the new regime are vague. The White Paper suggests that in certain circumstances the payments may be given as loans and perhaps taken away from some people all together if there is an overreliance on them. Barnardo's would be very concerned if these payments of last resort were not available to families who could be in desperate financial circumstances. While we support the Government in its desire for parents to work, some protection should be provided to prevent vulnerable children suffering as a result of the conditionality regime.

December 2010

Written evidence submitted by INVOLVE

Summary of Main Points

1. DWP introduced legislation in 2009 removing two significant benefit barriers to involvement in improving health and social care services for service users and carers who are in receipt of benefits:
   - Service users and carers who are paid for involvement may now be reimbursed out-of-pocket expenses without affecting their benefits. Reimbursements of expenses incurred because of involvement such as travel costs, necessary subsistence, child care, replacement carer, personal assistant etc and other expenses are now disregarded when benefit entitlement calculations are made.
   - Service users who are involved may now decline an offer of a payment, or ask to be paid a lower amount as required by their benefit rules or ask for the payment to be made to a charity, without “notional earnings” being applied. Their benefits are unaffected.

2. The legislation only applies where the involvement is required by law or as a result of a function provided for under an enactment. The benefit changes apply to involvement with local authorities, landlord authorities, NHS Trusts and Health Boards.

3. The National Institute for Health Research (NIHR) recommends as good practice, the involvement of the public (including service users and carers) in research. But involvement is not required by law. As a result, the benefit changes do not apply to public involvement in research. Involvement in research is impeded by these continued benefit barriers.

4. INVOLVE request that these benefit changes are applied to the Universal Credit benefit rules for involvement in health and social care research.

Brief Introduction to INVOLVE

5. INVOLVE is a national advisory group which supports greater public involvement in NHS, public health and social care research. INVOLVE is funded by the National Institute for Health Research (NIHR). At INVOLVE we use the term “public” to include: consumers, patients and potential patients, service users, carers and parents, long term users of health and social services, disabled people and organisations representing the public. By involvement we mean an active partnership between the public and researchers in the research process, rather than as participants in a research project. For example advising on a research project, assisting in the design of a project, or involvement in carrying out the research.

6. INVOLVE works with others towards creating the research community of the future which will be broader, more inclusive and more representative of the population as a whole.

7. Members of the public bring perspectives and skills that are not always the same as those of researchers and health and social care professionals. Their involvement helps to ensure that the entire research process is focused on what is important to people and is therefore more relevant and acceptable to the users of services.

Factual Information

8. People with the greatest reliance on health and social care services are generally more likely to be in receipt of welfare benefits.

9. People who use health and social care services have experiences to share that are valuable to health and social care research.

10. Public involvement in the design and delivery of public services is now accepted as good practice. The NHS introduced standards for recruiting members of the public to become involved in the monitoring, design and delivery of health and social care services. The Department of Health issued guidance in 2006 “Reward and Recognition”\(^{233}\) setting out good practice, recommending that service users and carers were not to be left out of pocket as a result of their involvement. The guidance recommends that certain types of involvement activities should be paid, and all necessary expenses should be reimbursed.

11. Some unforeseen tensions emerged between this policy initiative and certain benefit rules that were originally intended to cover regular part-time employment during a claim to benefits. These difficulties arise because involvement is very different to employment.

12. People are generally recruited for involvement because of their experience of using health and social care services. Involvement is intermittent and brief: some may attend a monthly meeting; others a seminar on a quarterly basis. The involvement is for a few hours at a time and there is no contract. National organisations recruit nationally and so travel costs may be very high. People with a caring responsibility may need to pay for the costs of a replacement carer. Service users may require a personal assistant and these costs must be met.

13. Benefit rules govern what a recipient may do. The rules set limits on earnings and usually treat the reimbursement of certain expenses by an employer as earnings. Although involvement is very different to employment, the benefit rules are the same, except where the benefit changes made in October 2009 now apply.

14. Benefits that are paid to cover living and housing costs have associated rules that set absolute limits on earnings that may be received in a week. Earnings that are in excess of the limit will lead to the benefit being stopped.

15. Means tested benefits have associated rules that allow for £5 or £20 a week of earnings to be disregarded. Earnings in excess of the disregarded amount lead to a reduction of the benefit penny for penny.

16. Certain reimbursements of expenses to people who are paid, are usually treated as earnings including: all travel costs, part or all of the costs of a replacement carer or child care. The reimbursed costs of a Personal Assistant or Support Worker may be treated as earnings at the discretion of a Jobcentre Plus decision maker. These benefit rules continue to apply to involvement in health and social care research as the benefit changes in 2009 did not apply to organisations where involvement is not required by law.

17. “Notional earnings”, that is a notional amount, may be deemed if a person refuses an offer of payment for a service and asks to be paid a lesser amount or decides to volunteer for free. Jobcentre Plus is required to deem that the higher amount was paid and to adjust benefit entitlement accordingly. People lose benefit entitlement as a result of money they did not receive. This benefit rule continues to apply to involvement in health and social care research as the benefit changes in 2009 did not apply to organisations where involvement is not required by law.

18. The impact of these benefit rules that continue to be applied is to make the involvement in research of some groups of people very difficult. These are people with the greatest health needs and the greatest social care needs.

19. The introduction of Universal Credit, as proposed will not resolve these barriers to involvement in health and social care research.

Recommendations for Consideration

20. INVOLVE recommend that the benefit changes made in October 2009 (see Point 1 bullet points, page 1) are applied to the Universal Credit and extended to involvement in health and social care research.

21. Health and social care organisations that involve service users and carers in research include:

— The National Institute for Health Research and Department of Health commissioning programmes.

— The National Institute for Health infrastructure organisations eg research networks, Research Design Services, Collaborations for Leadership and Applied Health Research and Care, University Research Institutes and groups, and other higher education institutions, individual research studies, social care bodies, charities and other not for profit organisations.

Written evidence submitted by the Child Poverty Action Group

1. Introduction

1.1 Child Poverty Action Group recognises the positive intentions behind the proposals to simplify the social security system, increase work incentives and tackle poverty. The system of welfare benefits is complex and poorly administered, and this keeps take up low amongst vulnerable groups.

1.2 Although simplifying the system is attractive in principle, great caution is needed in practice because it must respond to the complexity and variety in the lives of claimants and their households. It is well understood that it is means-tested benefits that introduce the greatest level of benefit complexity and also create the unemployment and poverty traps that Universal Credit seeks to address. Another type of complexity has arisen from the growth of a sanctions bureaucracy of doubtful efficacy and the impact over time of incremental changes often designed to make small spending savings, but which result in more complexity.

1.3 Whilst not a government document, it is important to recognise the origins of the current proposals in the Centre for Social Justice publication Dynamic Benefits: Towards welfare that works. There are now substantial differences between the levels of resourcing and the Marginal Deductions Rates (MDR) they suggested would be needed to have an effective impact and those available today. The impact will be further exacerbated by an £18 billion package of cuts to benefits and tax credits introduced in the Budget and Spending Review which increase both complexity and hardship. This renders the successful introduction of the universal credit harder and costlier to achieve.

1.4 CPAG’s believes that welfare reform must:

- provide a national social security system that protects all people of working age and their families against adverse changes in their circumstances;
- enhance protection against poverty for all families and children (irrespective of their age, status, ethnicity—and whether their parents are in or out of paid work) and make a major contribution to the eradication of child poverty by 2020 as required by the Child Poverty Act 2010;
- provide a statutory entitlement to high quality and personally tailored support that helps more claimants realise their aspirations to enter decent jobs;
- be sufficiently flexible to meet the diverse and ever changing needs of claimants throughout the life cycle, responding to the complex combinations of different factors affecting individuals and households—for example disability, ill health, relationship breakdown, bereavement and caring responsibilities;
- recognise that at any given time a certain proportion of the population will not be able to work, for a variety of reasons and that it is our duty as a society to support them;
- support policies that prevent claimants becoming excluded from the mainstream of society; and
- ensure couples are not disincentivised from both working and choosing the best split of working hours between them that suits their family responsibilities.

1.5 As they stand, the proposals constitute a fundamental weakening of important principles underpinning social security in the UK. For example:

- Portraying social security as a “contract” between those who have and those who have not—and between tax-payers and benefit recipients—represents a fundamental reframing of the purposes of the social security system which ignores the fact that benefit claimants pay tax, many working tax payers receive benefits and there is considerable and constant movement between these two groups.
- The rights of those in work, who pay insurance contributions for protection, have slipped off the agenda. We are seeing those rights eroded and although the Universal Credit does not replace contribution based benefits, time limits placed on entitlement mean that the amounts paid in national insurance no longer afford much protection.
- There are dangers that a “putting all your eggs in one basket” approach will remove a range of financial safeguards for vulnerable families as and when things go wrong—and problems invariably arise during major structural reforms to welfare benefits provision.
- Restricting financial support to the most vulnerable groups in order to influence market forces (for example, housing and childcare) rather than tackling the need for better social infrastructure in these areas and ignoring the wider socio-economic issues that are driving up costs is inequitable and unachievable; social security was not designed as a lever for governments to influence markets and there is scant evidence it can be used effectively for this purpose.
- While the provision of high quality personalised support that enables claimants who face profound structural barriers to employment is vital, paid work will not be appropriate for everybody at all times.
- Conditionality has always been part of the architecture of social security since Beveridge. But proposals to increase conditionality at a time when significant cuts are eroding claimants’ rights, access to advice services and access to legal aid—these agencies are experiencing severe cut backs.
2. Child Poverty

2.1 A recent analysis by the Institute for Fiscal Studies (IFS) suggests that a further 300,000 children and working age parents will be lifted out of poverty in 2009–2010—resulting in the lowest levels of child poverty Britain has seen for over 20 years when measured before housing costs (the after housing cost figures represent a greater and more persistent problem). We are concerned that the cumulative impact of radical cost-cutting policies put in place in the Budget and the Spending Review will squander this historic achievement—and have a disproportionate impact on the most vulnerable groups. By the time introduction of the Universal Credit begins in 14 February 2013, the IFS predict both relative and absolute poverty for children and working age adults will have increased.

2.2 The Government argues that the introduction of the Universal Credit could lift 350,000 children out of poverty by 2018. This potential progress is primarily based on the Department’s ambitious assumptions about increased take-up levels under the new benefit. Decisions made in the process of implementing the system, such as provision of advice services, promotion of entitlement and setting disregard and taper rates at the right level will all help determine if this desired reduction in child poverty is achievable. The Department must therefore raise its ambitions so that, rather than a hoped for reduction in child poverty, a reduction of at least 350,000 children below the poverty line is a headline objective that is actively pursued.

Childcare

2.3 Even during an economic boom, delivery of the childcare strategy was patchy, with significant gaps in provision, and variable quality, and the situation is likely to deteriorate further during the recession. Childcare quality and availability is particularly poor in the most disadvantaged areas. A combination of high costs, lack of funding, variable quality and complexity in financial support for childcare has generated particular problems. It is particularly important to note that the requirement that lone parents of school-age children be available to work means they are having to rely on that part of the childcare strategy that is the least well-developed -ie, extended schools and out of school childcare.

3. The Labour Market

3.1 Recent figures from the Office for National Statistics show the first quarterly fall in the employment rate since the three months to April 2010. The figures identify a drop in the number of people employed in the public sector while the numbers employed in the private sector remains unchanged.

3.2 Work that fails to sustain families above the poverty line is a persistent and growing problem. There are now 2.1 million children (58%) below the poverty line in families with work. This highlights one of the most important domestic problems facing government today: there is entrenched structural poverty that cannot be tackled by the benefit system and must be tackled through the labour market. As much effort must go into addressing causes of poverty in the labour market as is being put into reforming the social security system.

3.3 Given the data that the government will hold on employees and earnings through using PAYE to deliver Universal Credit, it will be more possible than before to identify major employers who exploit poverty pay and the top ups made by the tax payer. The government should commit to investigating if this will provide an opportunity for applying levies to companies that exploit the presence of Universal Credit wage-subsidies in this way.

4. Universal Credit: Structure

4.1 The Government claims that the Universal Credit will be “fairer and firmer” and achieve the following: make work pay and improve work incentives; “reintroduce culture of work” by increasing conditionality; introduce a “new contract” with “greater certainty and better incentives”; reduce poverty; reduce administrative costs. The government argues that making the system simpler for claimants and administrators will increase take-up and reduce fraud and error.

4.2 Although moves to ensure that everybody is “better-off” in work are welcome, we do not think that the universal credit is sufficient to reverse an upward trend in in-work poverty that took place during a time of economic prosperity and rising employment.

4.3 Reducing the marginal deduction rate (MDR) is welcome. However, it remains higher than originally envisaged as necessary in the work of the Centre for Social Justice, which proposed a maximum MDR of 55%. In Dynamic Benefits—and is much higher than the 50% tax rate imposed on the highest earners in the UK. This is unfair, especially given many claimants currently had MDRs below the 65% and 76% levels planned for Universal Credit, so will see their own MDR rise.

4.4 The Universal Credit will not remove barriers to employment such as lack of suitable jobs, lack of family-friendly working, discrimination in the workplace, lack of childcare or inadequate transport.
4.5 The new system includes a number of elements that may increase barriers to employment. For example:

- Work incentives have been made much worse by the benefit cuts announced in the Budget and Spending Review which have their biggest impact on working families with children. These include cuts to Housing Benefit, tax credits, childcare support, Child Benefit and Council Tax Benefit.

- An apparent incentive encouraging second earners to give up their jobs or reduce their hours will render it more difficult to access employment if a relationship breaks down and they become lone parents; and it will be more difficult for couples to enhance their total earnings and make decisions that fit their personal circumstances on how to balance each others hours and share of childcare.

- Although the costs of school meals generate barriers to employment, it is by no means clear what will happen to free school meals under the new system.

- Access to affordable, high quality childcare is an essential pre-requisite and constitutes the most effective incentive for lone parents to move into and retain employment. Cuts in support for childcare will render it much more difficult for lone parents to seek work.

4.6 The Universal Credit also erodes some important principles, including the idea of an independent income for individuals within couples, even though research on child benefit and carer’s allowance shows how targeting additional resources into the mother/carer’s purse is vital to contain poverty and enhance wellbeing of children.

5. **Support Rights and Sanctions Bureaucracy**

5.1 Our concerns about proposals to extend conditionality are twofold: firstly, there is scant evidence of efficacy in regard to both sustained work outcomes and poverty reduction for the extent and manner in which conditionality is applied in the system; secondly, evidence shows sanctions are poorly understood, can increase poverty, worsen health and are disproportionately applied to vulnerable groups.

5.2 Research in the US suggests that while stringent sanctions are associated with a (potentially short-term) drop in the claimant count, this may be due to people dropping out of the system completely rather than moving into work. The evidence also suggests that the imposition of sanctions on families can have a profoundly negative impact on the health and wellbeing of children. A more recent summary of research findings identifies an ongoing "gulf between the rhetoric and the evidence for the effects of sanctions on welfare reform." Research findings also suggest that benefit sanctions are often ineffective and have a disproportionate impact on the most vulnerable claimants. A report from CPAG reviewing "welfare reforms" introduced in the US in 1996 found that tough work conditions do not necessarily achieve a high employment rate, that increasing employment does not necessarily reduce child poverty, and that benefit sanctions have an impact on the most vulnerable groups.

5.3 The costs of administering extensions to sanctions bureaucracy will increase both the administrative burden and costs of introducing the universal credit, and this will further deplete the resources needed to provide high quality personalised support.

5.4 The ongoing focus on a sanctions bureaucracy and the continual framing of debate in terms of "carrots versus sticks" contradicts decades of research by psychologists and behavioural scientists on motivation. It also contravenes a view that has been learned on the ground by private and voluntary sector organisations providing welfare to work services. As the head of one of the leading companies contracted to provide welfare to work services told us: "You can mandate a jobseeker through the door; but after that they must become a voluntary jobseeker."

5.5 While recognising a role for conditionality in the system, the fixation on carrot and stick approaches and top-down sanctions impedes delivery of sustained job outcomes. The evidence base suggests that intrinsic, rather than extrinsic, forms of motivation tend to be most effective. Respected fields of research and practice, such as Self Determination Theory (SDT) which have been taken up widely and successfully in areas such as healthcare, education, fitness training, addiction recovery and support for relationships should be used to inform the development of the Work Programme.

5.6 The positive intent behind the proposed contract with claimants is fully accepted; however we are not convinced of the proposal in its current form and urge great caution and very careful design. Claimants’ engagement, rather than just compliance, is essential to achieving work-related progress and sustained work outcomes. The legislation should provide a statutory entitlement to high quality and personally-tailored support and much greater effort should be put into the positive marketing of services, including peer-to-peer marketing.

5.7 We also recommend that the Department pilot innovative and evidence based approaches that give greater autonomy to claimants and nurture self-directed behaviour. This might, for example, involved replacing the rigid, top-down sanctions, with personal budgets, similar to those being used for disability payments. A claimant could, with the support of a personal adviser, commission their own work programme services from a choice of public, private and voluntary providers. Our discussion with private and voluntary sector providers has encouraged us to think there would be interest in the piloting of innovative and evidence-based forms of approach.
5.8 Persisting with the expansion of an expensive sanctions bureaucracy with scant evidence of efficacy without even trialling other evidence-based approaches represents poor value for tax payers and is failing to move as many people into work as should be possible.

5.9 Research from the DWP on workfare programmes in the United States, Canada and Australia found little evidence that workfare increases the likelihood of finding work, and is least effective in getting people into jobs in weak labour markets where unemployment is high.\textsuperscript{20} We believe that opportunities to engage in work experience should be provided as an entitlement and positively marketed. In no situation should there be mandatory work without pay as there is evidence it may be counter-productive and it damages perceptions about being better off in work.

6. Simplification and Wider Welfare System

6.1 Complexity—and poor administration—is a major problem. However, there are aspects of the proposals that have so far failed to explain how particular needs of certain groups will be met; and there are other dangers that the new system will create new forms of complexity of its own.

6.2 How carers fit into the system remains unanswered. We support the proposal from the Centre for Social Justice that support for carers should be increased. We believe that it is vital to retain provision for payment of the couple rate of the carer’s and severe disability premiums.

6.3 Moving to a system of local council tax benefit schemes will complicate the calculations and create “postcode lottery” problems. It will compromise the aim of making the financial gain from taking up employment more transparent to claimants and easier to calculate.

6.4 The form of provision of financial support for childcare under the new system and the principles that underpin it are as yet unknown. Access to affordable childcare is in many cases at least as significant as taper rates and earnings disregards for real and perceived work incentives and is often the make or break factor for entering and retaining work. The cuts announced to the maximum childcare costs payable through working tax credit must be reversed and must not be carried into the new system if access to childcare is not to become a greater barrier than it already is.

6.5 It remains unknown how the system will deal with the self-employed. In contrast to employees, who will be covered by the PAYE “real time” system, the self-employed will presumably remain subject to the onerous and complex reporting requirements which currently apply, and which undoubtedly act as disincentive to take up self-employment.

6.6 Parts of the Social Fund—an essential safety net for many vulnerable claimants who find themselves in the most difficult circumstances—will be subsumed into the Universal Credit. The restriction of budgeting loans to advances of benefit represents a major cut in provision and the devolution of community care grants and crisis loans to cash strapped local authorities could leave some claimants effectively destitute.

6.7 Replacement of the current system by Universal Credit will mean the loss indicators in the system that are used for passported benefits. This is a dangerous recipe for form filling, complexities, “cliff edges” and erosion of entitlement in areas like access to health benefits and free school meals.

6.8 We are strongly opposed to the possible replacement of hardship payments by loans and limiting the circumstances in which they would be paid. This will result in long term lowering of benefit claimants incomes for those affected while loans are recovered, leaving their children in a sustained period of exceptional poverty.

6.9 Moves to monthly payments and the possible loss of payment via post offices could generate weeks of considerable hardship and reduce take-up. This, and the extension of income support capital limits to those already in paid work extends monthly means-testing to a much wider group than anticipated and may act in itself as a work disincentive.

6.10 Overpayments have always provided additional complexity for claimants and bureaucratic costs under the current system. The Department appears confident that the extent of overpayments will be massively reduced under the new system. Given this confidence, we recommend that there should either be no overpayment recovery, or a significant level up to which overpayments are disregarded and not recovered for the Universal Credit. It would allow for a significant amount of costly bureaucracy and complexity for both the Department and claimants to be swept aside.

6.11 Support from a range of different sources currently provides some protection to claimants when administrative error or poor decision generates delays. Combining all support into one system presents a greater hazard when errors are made that result in delayed or reduced payments, incorrect decisions and appeals. The Department must design into the system swift and sufficient provision of emergency support and must guarantee a maximum time for the appeals process with quality guarantees.

7. Consultation, Design and Implementation

7.1 We are concerned that the introduction of the Universal Credit was announced the same day the 21st Century Welfare consultation ended (within which Universal Credit was only one option). There has been no consultation on the Universal Credit and there is very poor public knowledge of the proposals, so we believe
the speed at which a reform, which ministers describe as the greatest change since Beveridge, is too fast with too little consultation and public engagement.

7.2 Given that this ambitious programme of reform has implications for many millions of people, we urge the Committee to highlight the importance of sufficient time and sufficient information for very thorough parliamentary scrutiny. Draft regulations in key areas must be provided in advance of bill committee sessions in both houses of parliament.

7.3 The involvement of the Social Security Advisory Committee (SSAC)—the main UK advisory body on social security matters—is vital. The six month rule by which the SSAC is not consulted on regulations made within six months of the enactment of parent legislation should not be applied in the case of this bill.

7.4 Transition to the Universal Credit will follow staff cuts in DWP and HMRC, and funding cuts for independent advice services and legal aid. This may prevent the new system being delivered effectively, and may prevent people getting the information they need to access their entitlement.

7.5 A new IT programme is already being put in place to administer an amalgamated Work Programme and interactions and transfers between existing systems (which may, or may not, be functioning effectively) and two new systems may generate problems. Two reports from the Ombudsman identified a raft of problems with the design and delivery of the tax credits, and problems with the IT system, and these should be taken on board when rolling out the universal credit. In particular lessons about requisite training and dangers of IT failure must be taken into account.

8. Conclusion

8.1 While supporting the core aims of simplicity and increased work incentives, we are extremely concerned that the Government is embarking on such an ambitious and potentially risky programme of reform in such haste in the context of extensive cuts in support for families, service cuts and a contracting labour market.

8.2 The reforms must not be used to pair back social security, but to strengthen it. Whilst simplicity is desirable, it is not paramount if it means in future we may lose important support for particular groups, or the benefits of universalism within the system.

8.3 Reducing national insurance benefits also removes entitlements to independent income for women—e.g. the reduction of contributory ESA to one year and the consideration being given to folding carers benefits into Universal Credit.

8.4 Any benefit that seeks to replicate all the pre-existing tests of entitlement based on work, health and caring requirements will not be simple.

8.5 Universal Credit means more means-testing—it spreads monthly assessments to those in work, more onerous reporting requirements and new capital rules to those who currently experience “means-testing light” through tax credits.

8.6 We have serious doubts the real time computer system will work—the road to previous DWP and HMRC IT projects were paved with equally good intentions.

8.7 As currently outlined, it looks likely to trap more mothers in low-hours, low-paid work and discourages partners from working—this is undesirable as it prevents families in future from staying out of poverty.

8.8 Poverty traps are inherent to this type of means-test—and without sufficient investment, marginal deduction rates will not be much improved for some groups.

8.9 Key decision have yet to be taken—chief amongst these is whether Universal Credit will continue to be paid (as child benefit and tax credits are now) to the main carer, including childcare costs.

8.10 The proposals are severely reduced in effectiveness, including any reductions in child poverty, by the cuts which will precede them and which will seriously damage work incentives and cause predicted rises in child poverty. The stated ambition to make inroads into child poverty rates could be thwarted and there is now a real risk that the introduction of Universal Credit can only hope to reduce poverty rates back to the pre-cuts level.

About CPAG

CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, 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. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.
END NOTES

1 This report by the Centre for Social Justice, published as part of their Breakdown/Breakthrough Britain series can be downloaded from or be downloaded from: www.centreforsocialjustice.org.uk
3 We are particularly concerned about reassessment of the remaining Incapacity Benefit claimants, the switch to Consumer Price Index (CPI) indexation of benefits, changes to DLA and Employment and Support Allowance and radical changes to Housing Benefit.
4 Mike Brewer and Robert Joyce, Child and working age poverty from 2010 to 2013 (supported by the Joseph Rowntree Foundation and published by the Institute for Fiscal Studies, December 2010).
5 Gaps include: lack of childcare for disabled children, out of school childcare including holiday childcare, childcare for older children, childcare for anyone working atypical hours and in some areas, childcare for children under two.
6 The costs of childcare in the UK are two to four times more than in Finland and Quebec in Canada, and four to eight times more than in Sweden—see OECD, Babies and bosses: reconciling work and family life: volume 4, Canada, Finland, Sweden and the UK (2010).
7 The Government spends around 6.5 billion (or 0.54% of GDP) a year to finance childcare. Even if it doubled this to 1% of the Gross National Product, it would still be half the rate of some other countries—See G Cooke, 4Children, Realising the childcare revolution, 2004.
8 An OFSTED report has identified wide local variations in the quality of childcare. OFSTED, Leading to Excellence report can be downloaded from: http://www.ofsted.gov.uk/Ofsted-home/Leading-to-excellence
9 The way in which childcare is delivered and financed is complex, and take-up of the childcare element of Working Tax Credit is low among disadvantaged groups, and does not cover costs.—see HM Revenue and Customs—Child and Working Tax Credit Statistics, (April 2009).
10 See http://www.statistics.gov.uk/cci/nugget.asp?id=12
12 See T Tomaszewski, J Chanfeau and M Barnes, Lone parents and employment: an exploration of findings from Families and Children Study 2006—2008, DWP working paper 93, 2010)—http://research.dwp.gov.uk/ asd/asd5/WP93.pdf—confirms that “research evidence has repeatedly demonstrated that the absence of suitable childcare is a key barrier to work” and that “for work to be retained, it is important that lone mothers see the transition as an achievable option and one that is beneficial for both them and their children”, p 2.
13 Research on child benefit shows that mothers/carers welcome the money being paid directly to them, as this ensures the money is spent on children (see J Pahl, Money and Marriage, (Macmillan Education 1989). Research on families with disabled children also suggests that paying Carers Allowance to mothers has the same effect. See, G Preston, Helter Skelter: Families, disabled children and the benefit system (CASE paper 92, 2005), and G Preston with M Robertson, Out of reach: benefits for disabled children (CPAG, 2006).
14 James Midgley, with commentaries by Kitty Stewart, David Piachaud and Howard Glenniser, CASE/1312—April 2008 reports “moving off benefits doesn’t necessarily mean that they are now working in remunerative jobs and that they are self-sufficient and successful”—“leaver studies” provide useful information about fate of benefit leavers. (p.32)—http://sticerd.lse.ac.uk/dps/case/cp/CASEpaper131.pdf
15 A Skalicky and J T Cook, The children’s sentinel Nutrition Assessment Program, Boston, Massachusetts, July 2002—http://dec2.bumc.bu.edu/csnappublic/C-SNAP%20Report.pdf. This study by the Boston University Medical Center found that infants and toddlers in families whose welfare benefits were reduced or eliminated by 1996 welfare sanctions have higher rates of hospitalization and hunger than infants whose families have kept their benefits. The study found that infants and toddlers in families who have been sanctioned have approximately a 50% higher risk of being hungry than children whose families receive welfare benefits. It found that children in families who had been sanctioned, as opposed to those in receipt of social security payments who had not, experienced a 30% higher incidence of past hospitalisations, 60% greater risk of “food insecurity” (including, for instance, being underweight) and a 90% greater risk of being admitted to hospital on an accident and emergency visit.
17 See, for example, Lone Parent Obligations: a review of recent evidence on the work-related requirements within the benefit systems of different countries, (Dan Fister and Rosie Gloser, DWP Research Report 632,

18 Alison Garnham, Work over welfare: lessons from America? (CPAG, 2007)

19 For more information on Self Determination Theory, see http://www.psych.rochester.edu/SDT/

20 R Crisp and D R Fletcher, A comparative review of workfare programmes in the United States, Canada and Australia, (DWP Research Report 533, 2008)

21 The Ombudsman published a special report on the administration of the Child and Working Tax Credits system published in June 2005 (Tax credits: Putting things right) which “highlighted the key issues and challenges that the new system had created for HMRC in the first two years following its introduction, and made 12 recommendations which were intended to help relieve some of those consequences and promote a more customer-focused approach.” Although HMRC made a number of improvements to the administration of the tax credits system, the Ombudsman published a second report—Tax credits: Getting it wrong (5th Report—Session 2006–07, The House of Commons, 8 October 2007—http://www.ombudsman.org.uk/improving-public-service/reports-and-consultations/reports/parliamentary/tax-credits-getting-it-wrong/3) which makes six recommendations, which highlighted the need for “clear and comprehensive guidance for Tax Credit Office staff” and “training”. December 2010

Written evidence submitted by Scope

We welcome this opportunity to contribute to the Committee’s inquiry on the Government’s proposals of Universal Credit.

If the Committee requires any further evidence or information, please do not hesitate to request it from us. We would also welcome any further opportunity to give more detailed oral evidence to the Committee about the Universal Credit, associated reform and the impact it will have on disabled people and their families.

We welcome the opportunity to contribute to this inquiry.

About Scope

1. Scope is a major disability organisation whose aim is drive the changes that will enable every disabled person to have the same opportunities to fulfil their life ambitions as non-disabled people. We provide a range of services to disabled people transition, residential care, domiciliary care and empowerment in the community. Many of the disabled people we support have complex needs. We believe that all service developments designed to support disabled people should enable them to become increasingly independent and to live their lives within the community of their choice.

Introduction

2. We recognise the importance of encouraging as many disabled people into appropriate and sustainable employment as possible as well as delivering the necessary level of financial support to those who need it. However, we feel that successful reform needs to come from an incentivising approach rather than a punitive one and through matching their skills, interests and ambitions with employment opportunities in a cost-effective way. There should be effective support to find work in the first place and retain employment successfully rather than endless gate-keeping mechanisms placing people into arbitrary categories with subsequent sanctions.

Simplifying the System

3. Plans to simplify the system for claimants and remove the financial disincentives from moving into work are certainly welcome. The Universal Credit suggests a new way of calculating benefits and new set of premiums for a range of characteristics (including disability). We are particularly encouraged by the attempts to improve take-up in the system through simplification and integration of benefits, as well adjusting the taper to acknowledge the value of part-time work.

4. However, we believe that there is hidden complexity within the new Universal Credit components; that the calculations are not transparent and so potentially more difficult to challenge. There is a danger of reproducing the complexity of the current system in simply a different formulation of benefits. Furthermore, the “simplification” does not acknowledge the complex correlations between current benefits, people’s finances and other forms of support which would still lead to disincentives and unintended penalties. Whilst we welcome the decision not to integrate Disability Living Allowance (DLA) into the new benefit system, we are concerned
that the 20% restriction to DLA will still impact on the Universal Credit System. The current system depends on “passporting” of benefits and the (criticised) “overlapping” exists for a reason. For example, currently to gain the disability element of the Working Tax Credit, a person must fulfill two criteria—one of which is through receipt of DLA (or complex criteria involving receipt of a sickness or incapacity benefit for some time at any time in the last six months before moving into work.) It is unclear exactly how the disability element will be modelled in the new system but if it depends similarly on receipt of DLA then far fewer people will be eligible.

5. Additionally with any new benefit system many people will still require further information, advice and in some cases advocacy, services to understand and assert their benefit entitlements. Research has shown that information, advice and advocacy services are under threat as the need for them rises. Earlier this year, Scope undertook research into disabled people’s financial behaviour revealing a large number of people felt that they didn’t know where to go to claim or challenge entitlements. This means that many thousands of people who face numerous others barriers are being lost to the benefit system. Information and advice (in a range of formats) is crucial in ensuring that the availability and application system of entitlements are understood whilst advocacy can be a fundamental tool throughout the process but it is particularly important for challenging entitlement decisions. These services will be particularly important under the proposed new system as the new proposals suggest that the new system will be managed online, involving IT development of a “moderate scale”. This—and the proposed “online account” for claimants—involves a dangerous assumption that all benefit applicants will have access to a computer. If this proposal is to take place, there needs to be effective capacity building and training around IT and widened access to the internet as well as serious investment in support services.

6. We have additional concerns over reliance of a currently un-designed and un-implemented real-time IT system. The proposed new system puts a large responsibility on employers to input information on work activity into the new system to ensure that claimants receive the correct level of entitlements. This will be a complex undertaking for all but will be especially complicated for those claimants with fluctuating impairments or sporadic work patterns. There also needs to be contingency plans in place in case the new IT system is not in place for the national roll out of the Universal Credit (the government hopes to start taking new claims to Universal Credit in October 2013.) The attempts of previous Government IT projects have been unwieldy, expensive and wasteful (it is estimated that Whitehall wasted £2 billion on abandoned computer projects between 2000–03.)

WELFARE DEPENDENCY

7. The Universal Credit system proposes to “reintroduce the culture of work in households where it may have been absent for generations.” The concept of benefit recipients not wanting to work at all (often conflated with “welfare dependency”) is largely a myth. Welfare dependency does exist but it is due to barriers to employment faced by millions of disabled people. Scope has spoken to number of disabled people who desperately want to work either because the complexity of their impairment makes it more difficult or because there aren’t enough appropriate employment opportunities (or a combination.) This became increasingly obvious when conducting research for the recent Demos report Destination Unknown. The Government claims that the current benefit system is “trapping individuals, families and whole communities” but there needs to be recognition that there are other similarly complex “traps” preventing disabled people from gaining or returning to employment. There is a danger that the government could place too much emphasis on incentivising benefit recipients and overlooking the need to incentivise employers to make reasonable adjustments for disabled applicants. The Government needs to work with employers to shape the labour market effectively so that there enough vacancies appropriate for disabled applicants—otherwise benefit reform will be redundant.

234 DWP, 2010, Universal Credit—Welfare that works
235 Advice UK, It’s the System Stupid! Radically Rethinking Advice
http://www.adviceuk.org.uk/projects-and-resources/projects/radical/ITSS
236 The Money Matters (December 2009-March 2010) included responses from 1,498 participants. For more information please contact Heloise.woed@scope.org.uk
237 DWP, 2010, Universal Credit—Welfare that works
238 Ibid
239 Ibid
240 Guardian online, 2003, Whitehall wastes £2bn on abandoned computer projects
http://www.guardian.co.uk/technology/2008/jan/04/computing.politics
241 DWP, 2010, Universal Credit—Executive Summary
242 DWP, 2010, Universal Credit—Welfare that works
243 Demos, 2010, Destination Unknown
www.demos.co.uk/files/Destination_unknown_-_web.pdf?1286894260
244 DWP, 2010, Universal Credit—Welfare that works
8. The transition arrangements from the migration process to the Universal Credit also need to be explored in further detail. Currently, it is extremely vague and the timeline is so tight it is potentially unachievable:

“...are incorrectl placed on to JSA without appropriate support. Again, the rushed implementation will exacerbate penalties built within the benefit for not finding sustainable employment. This will leave a gulf of people who are incorrectly placed on to JSA without appropriate support. Again, the rushed implementation will exacerbate problems such as this.

11. The lack of substantive reform to the WCA and its failure to assess readiness for work, as opposed to individual functioning, will mean that many disabled people will end up on the wrong benefit without adequate levels of support to pursue employment opportunities. Despite being in use for almost two years, the appropriateness and accuracy of the WCA is fiercely contested and widely debated. For example, research shows that 40% (31,000) of tribunal appeals challenging a WCA decision last year were successful. According to recent DWP data, 66% of those assessed through the WCA are found “fit for work”, and so transferred to JSA. Work Choice is only going to provide 79,000 places over this parliament which covers only a fraction of the disabled people who are likely to need specialist help and little has been done to ensure that the general Work Programme is going to be able to provide specialist support to those who need it.

12. As a consequence of the rigid nature of the WCA, there will be significant numbers of disabled people put onto JSA which cause long-term strategic difficulties in the Jobcentre Plus offices—research shows that beyond Disability Employment Advisors, there is little disability awareness in front-line staff. Currently this is leading to slow and unnecessarily administrative systems for referring people to the Condition Management Programme (CMP) which research shows leads to disabled people feeling less confident and motivated in regards to employment prospects. The proposed changes to the WCA suggested in the Harrington Review place greater burdens on Jobcentre Plus—however pressure on front-line staff is already an issue and there should be greater consideration of Disability Employment Advisors to ensure disabled people receive appropriate support.

13. The WCA needs to look at a wider set of barriers faced by disabled people entering work rather than just impairment. Instead, we believe that the WCA should be substantively reformed so that it assesses a range of capabilities. This requires a holistic and personalised test to identify the physical, psychological, social and

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244 DWP, 2010, Universal Credit—Welfare that works
246 Section 10 of the Welfare Reform Act 2007 commits the Secretary of State to lay an independent report before Parliament each year for the first five years of the WCA's operation.
247 Citizens Advice, 2009, Not Working
www.citizensadvice.org.uk/not_working_march_2010_final.pdf
248 Parliamentary Question, 25/10/10, Employment Schemes: Disability
249 DWP and University of York SPRU, 2010, Provider-led Pathways: experiences and views of Condition Management Programmes
www.york.ac.uk/inst/spru/research/summs/cmp.php
251 Ibid
www.dwp.gov.uk/docs/wca-review-2010.pdf
practical barriers to employment that a person may have. This would also improve the effectiveness of welfare to work support programmes through ensuring support is targeted and tailored to the individual.\footnote{This is discussed in more detail in Demos, 2010, Destination Unknown, \url{http://www.demos.co.uk/files/Destination_unknown_-_web.pdf?1286894260}}

**Sanctions**

14. We have serious concerns about the sanctions proposed as part of the Universal Credit. In particular, it is proposed that ESA claimants in the Work Related Activity Group (WRAG) will be required to undertake “work preparation” through taking steps to prepare for work.\footnote{WP, 2010, Universal Credit—Welfare that works \url{http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf}} However, as previously discussed, the WCA is not effectively assessing who should be placed in WRAG. Though the Government acknowledges the need for there to be a reasonable consideration of impairment-related factors in implementing sanctions, the unpredictability of many disabled people’s impairments (particularly those with fluctuating or mental health conditions) may mean that some groups are unfairly and disproportionately affected by this reform.

15. We are concerned that sanctions will have a disproportionate effect on disabled people, penalising them for factors that are beyond their control, such as not being able to find work within an allocated time period such as six months. Also, conditionality regimes frequently fail to take account of individual circumstances and make unreasonable demands that increase the likelihood of non-compliance and penalties eg expecting people to travel to Job Centre Plus interviews as part of work preparation when public transport is inaccessible.

16. Overall, we are concerned about the conditionality, nature of sanctions and timescales within the proposed benefit system because we feel they make employment appear a punishment and welfare reform appear an unnecessarily punitive regime. For example, the fact that after a year of being on JSA, individuals will lose 10% of their Housing Benefit\footnote{HM Treasury, 2010, Emergency Budget \url{www.hm-treasury.gov.uk/d/junebudget_complete.pdf}}—this is problematic for anyone on such a limited income but particularly a disabled person who incurs extra costs as a result of their impairment. Therefore, reforming the welfare system should be reformed to give both disabled job seekers and specialist employment providers freedom to succeed rather than trapping them. Research also shows that there is little documented evidence on long term impact of benefit sanctions.\footnote{Joseph Rowntree Foundation, 2010, A Review of Benefit Sanctions \url{http://www.jrf.org.uk/publications/review-of-benefit-sanctions}} However, leaving unemployment benefit earlier, prompted by sanctions, can result in poorer quality employment (lower earnings and instability). Having an unnecessarily punitive system can also reinforce the concept of “benefit scrounger”. The Government’s focus on fraud, and in particular the characterisation of welfare dependency as a “lifestyle choice” and targeting disability benefit “cheats”, will have a negative impact on the self-worth, safety and wellbeing of disabled people and their families. Levels of fraud in the benefit system are actually extremely low and administrative error is much more of an issue- fraud and error levels for Incapacity Benefit (IB) 2008–09 stood at 3.3%.\footnote{Ministry of Justice, November 2010, Proposals for the Reform of Legal Aid in England and Wales \url{http://www.justice.gov.uk/consultations/legal-aid-reform-151110.htm}}

17. Impacting adversely on disabled people’s finances will not necessarily enhance their job seeking behaviour, it may place them even further from the job market. Whilst the complicated benefit system does currently contains many perverse incentives, any reform or simplification must take into account the added costs of living with an impairment. This is particularly important at a time when all public services are being squeezed and eligibility for social care services is being driven up as well as up-rating of disability benefits. The latter represents a real term reduction in levels of benefit income. This will mean that many will have to dip into their savings or borrow money to cover the reduction in income. Over a longer period of time this will put personal and financial strain on disabled households and, together with the wider welfare reform, may push them into poverty and make job seeking even more difficult.

18. Additionally, the cuts to legal aid\footnote{Citizens Advice, 2009, Not Working \url{www.citizensadvice.org.uk/not_working_march_2010_final.pdf}} could not come at a worse time for the creation of an entirely new welfare system. The fact that legal aid will no longer cover welfare issues is deeply concerning and will mean that millions of people will not have access to litigation when problems occur. Currently, individuals are successfully challenging decisions over their entitlements (recent research shows that following the WCA, 40% of claimants are successful in overturning the original decision.)\footnote{WP, 2010, Universal Credit—Welfare that works \url{http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf}} Restricting legal aid will mean that a huge number of people will not be able to challenge their entitlements and so will not receive appropriate support, instead being left open to sanctions. This will drive individuals into further poverty, making it even more difficult to seek out employment.

19. Rather than sanctions, we believe there should be other more progressive reforms made to the benefit system to encourage employment. We believe that establishing a “work ready” ESA group for the majority of Incapacity Benefit claimants found fit to work before the introduction of the universal credit, rather than moving them on to Jobseekers allowance would yield impressive results. This group would claim the same level of incapacity benefit as JSA but would not be subject to the same level of sanctions; recognising instead the barriers faced...
by disabled people in attending twice-weekly interviews. When the universal credit is established in 2013, “work ready” and “work able” groups should remain part of the credit’s incapacity component.\footnote{This is discussed in more detail in Demos 2010, Destination Unknown, http://www.demos.co.uk/files/Destination_unknown_-_web.pdf?1286894260}

\textbf{20.} Instead of sanctions, targeted support should ensure that disabled people enter into work and remain in the labour market. We suggest that “work able” and “work ready” claimants are automatically made eligible for appropriate elements of the Work Choice support scheme and Access to Work. Work Choice capacity should be extended to ensure this is possible. Having a personalized scheme building a person’s capabilities as well as Access to Work should enable candidates to apply for jobs and attend interviews more effectively.\footnote{Ibid}

**Conclusion**

\textbf{21.} We believe the following measures will help ensure that the welfare system works with disabled people’s skills and aspirations as opposed to working against them:

- Reform the WCA to assess a range of capabilities. A personalised test that identifies the physical, psychological, social and practical barriers to employment is needed to broaden the focus away from just medical difficulties.

- Establish a “Work Ready” group as part of Employment Support Allowance and a future disability component of a Universal Credit for the majority of reassessed Incapacity Benefit claimants found fit to work, rather than moving them on to Job Seekers Allowance. The “Work Ready” group would claim the same level of benefit as JSA, but would not be subject to the same conditionality and penalty regime to recognise the practical difficulties facing many disabled people.

- Make “Work Able” and “Work Ready” out of work claimants automatically eligible for the Work Choice support scheme and Access to Work.

- Invest in information, advice and advocacy services to support any benefit reform. We suggest that a range of these services are capacity-built with a range of customer-facing engagement methods, rather than prioritising online methods. We also recommend that the customer journey is considered when investing in these services.

**December 2010**

**Written evidence submitted by Trade Union Congress**

**Summary**

- The TUC is strongly in favour of benefit simplification and recognise that the Universal Credit, by reducing the complexity of the benefit and Tax Credit systems may help people move into work.

- The TUC welcomes the extension of help with housing costs to home owners in low paid jobs, but is concerned that the cut in support for Council Tax bills may lead to unfair pressures on vulnerable families.

- The TUC welcomes the proposed extension of free school meals to low paid families, but we are worried that including health benefits and free prescriptions in the Universal Credit could have adverse consequences for middle income disabled people.

- If the Universal Credit does not cover in-work costs, the reputation of the whole scheme could be threatened. Childcare is the most important of these costs and the TUC especially regrets the decision to cut the proportion of childcare costs covered by the tax credits.

- The TUC welcomes the decision to extend coverage to people in low paid jobs of under 16 hours a week, but we are concerned that the decision to raise the taper rate to 65% will exclude many struggling middle income families from coverage.

- Benefit reform is not, by itself a sufficient anti-poverty strategy, it is also important to address in-work poverty and insecure and vulnerable employment.

**Historical Background**

1. The Conservative administration of the 1980s resolved the debate about how to address work disincentives and poverty incomes through the 1986 Social Security Act. The Act eliminated most unemployment traps—since then, the number of people who are worse off if they move into employment has been comparatively small and further progress has been made with the introduction of the minimum wage and tax credits.

2. The reforms that achieved this have intensified the means-tested character of the British system. The 1986 Act and the legislation that followed reduced the coverage of National Insurance to the point where, apart from Retirement Pension, it is now vestigial. The ingenuity of officials and the political capital of ministers have been spent on successive welfare-to-work reforms in which reliance on means-testing has been taken for granted.
3. Seen from this perspective, the most important characteristic of the tax credits is that they have expanded the coverage of income-related provision. The last government was working towards a Single Working Age Benefit, which would eventually be integrated with the tax credit system; this would have represented a continuation of previous reforms, rather than a completely new development.

**Universal Credit—Picking up the Baton**

4. The Universal Credit picks up this well-established approach—relying on income-related provision whilst trying to address the problems created by means-testing. One of these problems is highlighted in the White Paper: the complexity of the system. In 1984, the CPAG *National Welfare Benefits Handbook* was 211 pages long and the *Rights Guide to Non-Means-Tested Benefits* was 156 pages; today, the *Welfare Benefits & Tax Credits Handbook* weighs in at 1,604 pages. Most of the extra length is the result of the system having become more complicated, more difficult to describe and less certain in its operation.

5. This complexity is inextricable from the increased reliance on means-testing. Universal benefits are simple to legislate for, administer and explain, National Insurance benefits use complicated contribution rules but once these have been established for NI as a whole, the extra complexity for any individual benefit is limited.

6. Many claimants do not know why they receive the level of benefits they do, their income can change from month to month without their understanding why and they can find themselves unexpectedly in breach of the rules. At the same time, the general culture of contempt for claimants can make their benefits seem a very insecure achievement and moving into a job can seem very risky—especially for people whose main job opportunities may not be particularly secure. People in these circumstances are right to think that they may well need to claim benefits again in a few weeks’ time and that there are no guarantees they will qualify for the same income they have at present.

7. This is an important reason for hope that the Universal Credit will make a difference. It also suggests that repeated suggestions that large numbers of claimants are in fact trying to avoid work are counter-productive. A simpler system, in which the rights as well as the responsibilities of claimants are emphasised, would in our view give more people confidence about entering employment.

**Marginal Rates**

8. A further barrier that has emerged as an important issue in recent decades has been the effect of high marginal effective tax rates. The 1986 Act may have drastically reduced the number in the “unemployment trap”, but at the expense of increasing the number in the “poverty plateau.” The combination of income tax, National Insurance Contributions and the pound for pound deduction rates in means-tested benefits (with very low disregards) means that people who increase their earned income may be little better off. It was for this reason that Family Credit and then the tax credits were created—the fact that the payment is “tapered” means that people see some benefit and there is more incentive to increase hours or move into a job with a higher hourly rate.

9. The tax credits have reduced the numbers facing extremely high marginal rates—in excess of 80%—but at the expense of a larger number facing rates of over 60%. This is higher than the marginal rate of income tax and National Insurance Contributions faced by people at all but the highest rates of pay. And, as the White Paper shows, for those relying on Housing Benefit and Council Tax Benefit, marginal rates in excess of 90% are still possible. There is a significant (though not enormous) group of people in this position (the White Paper suggests 200,000 [p 54]).

**Housing Costs**

10. The proposal that the Universal Credit will cover mortgage interest payments as well as rent is very welcome. There may be fewer people in the unemployment trap, but one of the reasons why it still exists is that there is no in-work support for home owners akin to the way Housing Benefit can continue helping with rent after claimants have obtained paid employment. Some owners find that the jobs they might have a chance of getting will not pay enough for them to keep their homes—and the more expensive their house was, the harder this problem is. The TUC supports equal treatment of people who pay rent and those who pay a mortgage and this is a very positive proposal.

11. Tax credits have helped reduce the size of this problem, but the fact that Housing Benefit and Council Tax Benefit are not integrated into the system has meant that it has not been eliminated. In principle, therefore, the White Paper’s proposal that the Universal Credit should cover housing costs and Council Tax is correct. Unfortunately, the White Paper is rather vague on this issue, limiting its description of the UC to “an appropriate amount will be added to the Universal Credit award to help meet the cost of rent and mortgage interest. For those who rent their accommodation, this amount will be similar to the support currently provided through Housing Benefit” [p 19].

12. The section on Council Tax Benefit is even vaguer, admitting “there is more work to be done on the practicalities of the new approach.” It is hard to see how Universal Credit, which will be a national scheme, will be made to accommodate a Council Tax rebate that varies in structure and level from one local authority
to another. This must be done, however, or the Universal Credit promise that people will always be better off in work cannot be guaranteed.

13. Although the Universal Credit is a separate matter from the 10% reduction in Council Tax Benefit spending, this is an appropriate place to point out that this will cause significant difficulties. Councils will not be in a position to make up this difference from their own incomes; they will have to respond by cutting the level of provision. Some local authorities will protect the very poorest claimants, but at the expense of excluding those with somewhat higher incomes; such an approach would penalise those on low to middle incomes, including many of those the government wants to encourage into employment. Others may require all claimants to pay a proportion of their Council Tax; this would re-create one of the disasters of the poll tax, when local authorities had to pursue very poor residents through the courts for small sums of unpaid Community Charge. This was expensive, time consuming, made council finances more erratic and exacerbated the poverty of the most vulnerable.

**Passed benefits**

14. In principle, the TUC supports the White Paper’s proposals on free school meals [p. 48]; our comments on this issue also apply to several other passed benefits, such as free or subsidised school uniform schemes provided by some Councils. It is unfair that a low income working family may not qualify for free school meals while an out of work family with much the same income does. We will need to see, however, what is meant by the White Paper’s statement that the government will “consider the appropriate level” for an income or earnings threshold. If we follow the letter of paragraph 15 on page 48—the same number of claimants but a graduated threshold—this would seem to indicate that some people who now get free school meals would, under UC, be paid only for a proportion. We would oppose this—most of the people who currently qualify for free school meals have very low incomes and cannot afford a lower level of provision. But this is not entirely clear from the White Paper and it may be that our reading is over-pessimistic.

15. The ending of passporting for health benefits and free prescriptions would be a very different matter. Disabled people with quite high wages could easily find their incomes substantially reduced if eligibility were determined only by a means-test. Disabled people would find that their disposable income was much lower than that of their non-disabled colleagues doing the same job. If the government proceeds with this part of the proposals on passporting, it is vitally important that another route to free prescriptions and health benefits is provided for disabled people and people with long-term health conditions.

**In-work costs**

16. In-work costs constitute a final barrier to employment. Together with the absence of support for mortgage interest for people in low paid work, they largely explain the continued existence of the unemployment trap. Some workers face one-off costs, such as having to provide their own tools or equipment and this can be a problem for those who are destitute; the TUC supports a system of one-off grants or the reintroduction of the JCP Adviser Discretionary Fund to deal with this problem.

17. A more common problem is that regular costs—such as travel to work—can wipe out the extra income from going to work. The last government wanted to make sure that people would always have a higher income in employment, but the “better off in work guarantee” never succeeded because of this issue. This indicates the difficulty of making such a promise: if the Universal Credit does not cover in-work costs, the reputation of the whole scheme could be threatened. If claimants make the transition to employment and then find that their net income goes down, not up, the news will soon spread and it will be much more difficult to overcome cynicism about DWP promises.

18. Childcare is the most important source of in-work costs. Childcare can easily account for most of the earnings of the second earner in a couple family and addressing childcare costs has been a major reason for the success of tax credits in substantially raising the participation rates of lone parents.

19. The 2006 Budget increased the proportion of childcare costs met by Tax Credits from 70% to 80%. The October Spending Review reversed that move—families with weekly childcare costs of £300 (the maximum payable for a low-income family with two children) will be £30 a week worse off. The Spending Review equalities impact assessment recognised that “the reduction in support through the childcare element of tax credits…will particularly affect women in lone parent households.”

20. The TUC would urge the government to reconsider this decision when introducing the Universal Credit.

**The taper**

21. Under the current system, in-work support is not available for those with jobs of under 16 hours a week. In the out-of-work system, disregards allow non-disabled people no more than three or four hours a week of very low paid work. This is a system that discourages people from taking up casual work (or encourages non-disclosure) and is particularly unhelpful for people who can work varying amounts because of caring obligations or fluctuating health conditions. Some people, for instance, may be able to work five hours this week, thirty hours next week but not at all for the following fortnight. Under the current system, they would have to declare this week’s work (and possibly see most of what they earn deducted from their benefit), end
their claim next week and then re-claim the week after (with the likelihood of a long wait before their benefit was restored.) The TUC has long advocated various reforms of the disregards to address this problem and the Universal Credit will be very welcome if it provides work incentives for people who are only able to undertake short hours jobs or whose working time fluctuates.

22. The TUC supports the objective of making sure that all out-of-work claimants who move into paid work see their net incomes rise as a result. We believe that significant progress on this front has been made over the past 30 years and that the Universal Credit could be a further improvement.

23. Unfortunately, the price of this enhancement is the exclusion of many low-to-middle-income workers who are currently entitled to tax credits. The taper rate for tax credits is 39%, and will rise to 41%; the taper for the Universal Credit will be 65%. When combined with income tax and National Insurance Contributions, the marginal effective tax rate will be 76%. The White Paper includes the following chart:

![Average long-run impact (proportion of weekly income gained/lost and average change in entitlement by decile from Universal Credit reform)](chart.png)


24. The White Paper says that this chart shows that “many households will receive more under Universal Credit than under the current system.” The chart shows small weekly gains for those in lower income deciles, and insignificant losses for those higher up the income distribution. But other points should also be taken into account:

— The chart compares household income in 2014–15 after the introduction of Universal Credit with what household income will be in 2014–15 after the welfare cuts outlined in the Chancellor’s June Budget. It does not compare the position after the introduction of UC with the position now. The Housing Benefit and tax credit cuts mean that such a comparison would look very different.

— The chart does not include childcare costs. These are significant, paying as much as £10,000 to low-income working families with more than one child.

— Most importantly, the chart covers all households, not just those who are claiming benefits or Tax Credits. While most people in the bottom deciles will be receiving benefits or Tax Credits, most people in higher deciles will not.

25. If the graph was based on an analysis comparing the current system with Universal Credit, if it only considered households in receipt of benefits and Tax Credits and if childcare costs were included, it would show a very different picture: gains would be far less—and many would be shown to lose significantly.

**Benefit Reform is Only Part of the Solution**

26. However, we believe that if the Government is serious about improving the incomes of those working at the bottom of the labour market it will need to recognise that benefit reform can only ever be part of the solution.

27. “Making work pay” is a worthwhile objective, and one that the current government shares with its predecessor. But in the current circumstances, poor financial incentives are not the main problem preventing people from moving into employment. The lack of jobs is far more significant: across the economy, there are currently only 459,000 jobs available, with the most recent data showing a quarterly fall in the vacancy level.
Vacancies remain around 170,000 below their pre-recession peak and the ratio of unemployed people to jobs is over 5:1. Vacancies are in particularly short supply for those whose job searches are restricted, such as lone parents who need to find jobs that fit around childcare responsibilities and for those, such as disabled people, who face continuing discrimination. Unemployment is a result of poor demand for labour, not failures of the welfare system.

28. The TUC believes that welfare reform has its place, but it needs to fit in to a wider strategy that addresses in-work poverty and the insecurity of many jobs. Work can only be “the best route out of poverty” if these issues are addressed as well as worklessness. A broad strategy would aim at reducing the proliferation of insecure exploitative jobs with atypical employment status, where people who are classified as “workers” or falsely “self-employed” can earn below the minimum wage and experience significantly less employment protection than those with “employee” status. Such a strategy would also need to recognise the vital role that the National Minimum Wage continues to play in reducing in-work poverty, and the important contribution that Living Wages can make to raising the incomes of those who are the worst off.

December 2010

Written evidence submitted by the Department for Work and Pensions

WELFARE REFORM BILL

When we met on 9 February, I undertook to provide you with further information on the Welfare Reform Bill prior to Introduction, and to set out—at a high level- the content of the Bill.

I hope that we can continue to work together fruitfully during the passage of the Bill, particularly during parliamentary scrutiny of the provisions. The main policies in the Bill are:

— As announced in the White Paper Universal Credit: welfare that works, we will take powers to introduce the Universal Credit; an integrated working-age benefit replacing the current means-tested benefits and tax credits to support people both in and out of work.

— Changes to the conditionality and sanctions regime to strengthen the link between welfare and work. This will include requiring all claimants of out of work support, and the Universal Credit, to have a claimant commitment which will set out the requirements placed upon them and the consequences of failing to meet them. We also plan to implement a new sanctions structure, which will include the ability to impose a three year sanction for the most serious failures by those who are expected to look for work, and prevent benefit being paid for a period of time following disentitlement. As now, recipients will be able to demonstrate if they have good reason for failing to meet a requirement and, if so, no sanction will be applied.

— The powers to implement policies announced in the Emergency Budget, including reforms to Housing Benefit and reducing the age of the youngest child when lone parents cannot be required to look for work.

— As set out in our recent consultation paper, Disability Allowance reform, we intend to take the primary powers needed to replace Disability Living Allowance with the Personal Independence Payment.

— The powers needed to implement the policies announced in the Comprehensive Spending Review, including the time-limiting of contributions-based ESA to 12 months, and a limit on the maximum amount of benefit income that a household can receive in line with the median after-tax earnings of a working household.

— Legislation for changes announced as part of the Fraud and Error Strategy Tackling Fraud and Error in the Benefits and Tax Credits Systems to better tackle benefit fraud in the benefits and tax credits system. We will legislate for a “three strike” system; increase the period for which fraudsters lose benefit; and introduce a £50 civil penalty for those who fail to take reasonable care of their claim and incur an overpayment. We will also create a new single, integrated fraud investigation service which will bring together fraud investigators from across HMRC, DWP and local authorities.

— The Child Maintenance Green Paper Strengthening families, promoting parental responsibility: the future of child maintenance was published in December. This Bill will take forwards those parts of that green paper which require primary legislation: to allow non-resident parents to unilaterally choose to pay child maintenance via Maintenance Direct in the statutory child maintenance scheme; to provide for a calculations-only service; and to tighten the gateway to the statutory scheme by insisting that people use the Child Maintenance Options service.

— Powers to introduce changes to the appeals process so claimants can be required to seek a revision of the disputed decision before making an appeal to the First-tier Tribunal.

— Repeal provisions which require persons claiming jobseeker’s and employment support allowance who are dependent on, or have the propensity to misuse, drugs to engage in certain activities to reduce their propensity to misuse drugs if their condition affects their prospects of finding work.
Powers to ensure that Jobcentre Plus is not required to advertise certain types of vacancies in the adult entertainment sector.

Rt Hon Iain Duncan Smith MP
February 2011

Further supplementary evidence submitted by the Department for Work and Pensions

Further to my letter of earlier today enclosing a copy of the Welfare Reform Bill I am writing to update you on issues that were raised when I met the Committee on 9 February to discuss Universal Credit.

Firstly, I can now confirm that Carer’s Allowance will not be incorporated in Universal Credit, but will continue to exist as a separate benefit. This acknowledges the importance of Carer’s Allowance in providing recognition of the role that carers play and an independent income for them. At the same time we will also include for carers within the Universal Credit to help low income carers better balance work with their caring responsibilities.

I can also confirm that the Welfare Reform Bill includes provision for the abolition of council tax benefit and that our intention is that help with council tax will in future be provided through local arrangements which give local authorities greater flexibility over the levels of support provided. At the same time it remains our firm intention that these local arrangements should not undermine the benefits of Universal Credit in terms of improvements in work incentives and simplification for claimants. We continue to work closely with the Department for Communities and Local government to ensure that.

I will of course keep in touch with the Committee as our plans for Universal credit are firmed up and am happy to provide any further information that the Committee would find useful.

Rt Hon Iain Duncan Smith MP
February 2011

Further supplementary evidence submitted by the Department for Work and Pensions

**DISREGARDS IN CURRENT BENEFITS**

*Income Support, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance and Pension Credit*

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<thead>
<tr>
<th>Disregard type</th>
<th>2010 Weekly Rate in £</th>
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<tbody>
<tr>
<td><strong>Earnings</strong></td>
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<tr>
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<tr>
<td>Couple</td>
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<tr>
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<tr>
<td>widowed mothers/parents allowance</td>
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<tr>
<td>Armed Forces Compensation Scheme</td>
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<td>student loan (not Pension Credit)</td>
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<td>student's covenanted income (not Pension Credit)</td>
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<td>income from subtenants</td>
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*Housing Benefit and Council Tax Benefi*

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### Housing Benefit and Council Tax Benefit

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Rt Hon Iain Duncan Smith MP  

February 2011