



Response to the Select Committee Inquiry into Simplifying the UK Benefit System

Key Messages

- ▶ The UK benefits system has developed in an ad hoc way and as a result is often over complicated. The range of differing rates, eligibility criteria and expectations of claimants leads to a system that is difficult for vulnerable people to navigate.
- ▶ The current system divides unemployed and workless people into artificial categories based on their benefit status, rather than on their needs or abilities. Most people do not neatly fall into one box, but instead experience multiple aspects of disadvantage that could be dealt with by one of any number of funding streams.
- ▶ Despite the streamlining of systems with the creation of Jobcentre Plus there remains a real lack of clarity with regards to the benefits system for claimants and for professionals working in the area. There are continuing complexities and inconsistencies in the way in which the benefits system is communicated and administered.
- ▶ There have been improvements in terms of the incentives to work built into the benefits system and for many of our clients the Working Tax Credits system has had a significant impact.
- ▶ However the gap between theory and reality in how this system has been implemented means that disincentives to work are still inherent in the system for too many individuals.
- ▶ A clear case has been made for the simplification of the benefits system - particularly in the way in which this is experienced by claimants and the Wise Group has taken particular interest in the assertions made by Roy Sainsbury about the potential gains to be made from a single working age benefit.
- ▶ However we would add the caveat that much of the complexity present within the current system is a reflection and product of the highly complicated and chaotic situations faced by claimants. Any move to simplify the system must still allow for an approach that takes account of the diverse and complex needs of welfare benefits recipients.

Introduction

1. The Wise Group strongly welcomes this opportunity to comment on the UK benefits system and the options for simplification. As an employment and training organisation founded in 1983 the Wise Group was an early voice in the call to recognise work not just as a route out of poverty, but also as a means of providing people with independence and a better quality of life. In 2006 just fewer than 3000 people experienced the benefits of moving into employment as a result of one of our programmes.

Submission

Part One - the consequence of historical benefit changes and reform on the current system

2. The UK's current benefits system is a complex morass of systems, with means-tested, universal and contributory systems operating in parallel and offering differing rates, eligibility criteria and expectations of their claimants. Many of our clients could fall into more than one benefit criteria and it can be difficult to see whether, for example, a lone parent with health related issues would be best served by support through the New Deal for Disabled People or the New Deal for Lone Parents. People don't always fit neatly into categories; indeed most of the Wise Group's clients experience multiple aspects of disadvantage simultaneously (with most experiencing at least three significant barriers to work at any one time) meaning that they could fall into a number of the categories targeted by different elements of the benefits system.

3. It is widely recognised that the way in which the UK's benefit system has developed has led to the construction of a highly complex and bureaucratically burdensome system. However this complexity is partly the product of the highly complicated situations faced by many unemployed people. Therefore whilst there are real and very powerful changes that can be made to the system to provide a more simple and straightforward route to claiming benefits, there is also a need to ensure that any new system retains the ability to deal with the individual needs of the diverse body of claimants.

Part Two - the effectiveness of current communications between the relevant executive agencies and claimants.

4. The way in which the UK benefit system is explained and communicated is often incredibly complicated and difficult to understand, particularly when it is considered that 5 million British people of working age lack basic functional literacy, and 7 million functional numeracy, and that those with low or no skills are most likely to be unemployed. There has been a notable improvement in the style of communication used by Jobcentre Plus documentation. However as pointed out by the National Audit Office¹ (NAO), DWP programmes are publicised through some 245 separate leaflets

and, to quote the report *"the Department cannot be sure that the information in them is correct and we found that information in leaflets is not always accessible to the people it is intended for. Copies of leaflets were not widely available at the Departmental and external sites we visited. Only 50 per cent of the Department's offices were able to provide the leaflets required (NAO, 2006, p6)."* Clearly there are still vast numbers of clients who are not necessarily getting the information they require in an accessible and appropriate manner and there remains real inconsistency in the advice received.

5. The findings of the NAO have at times been reinforced by the Wise Group's own experiences. To quote a front line Employment Consultant, who works to support clients through our Workable (NDDP) programme: *"In areas such as Permitted Work entitlement, the 104 week Linking Rule and entitlement to Jobcentre Plus Advisory Discretionary Funding we get inconsistent messages from Job Centre to Job Centre and even from Advisor to Advisor"*

6. Recently there has been a shift away from face to face communication in the making of a benefits claim and towards the use of other forms of technology - such as telephone and Internet based systems, and there are undoubtedly ways in which this can offer a more efficient and streamlined approach. However the Wise Group's experience is that our clients find face-to-face communication a far more effective means of giving and receiving information, particularly when talking about fairly personal aspects of their lives and where they may need to explain a fairly complicated individual situation.

7. A continued emphasis on face-to-face communication would be in keeping with a central plank of the Freud report; providing an individualised service that takes account of the specific needs of the individual. We find that face-to-face communication allows the building of trust, something that is harder to replicate on the phone or on-line, and with continued low take-up of benefits such as tax credits, it is important to maximise trust wherever possible. Certainly as far as the Wise Group's clients are concerned most prefer to speak to another person, rather than a system.

8. It is also important to consider accessibility. Whilst there has been a sizable increase in the accessibility of technology not all unemployed people have telephone or Internet access and there are difficulties for some groups, such as people with certain disabilities or people whose first language is not English. The telephone-based claims system can be incredibly confusing, again as highlighted by the NAO: *"There are more than 55 numbers to call for different purposes, which can be confusing for customers"* (ibid, p7).

Part Three - Issues surrounding the delivery of three 'types' of benefit in the system - means tested, universal and contributory

9. The delivery of three different types of benefit within the current systems does result in difficulties for clients in navigating their way through the differing eligibility criteria and entitlements available and in understanding why certain resources may be available to their peers that is not available to them. Front line staff report that our NDDP clients have experienced real confusion in understanding the Incapacity Benefit

(I.B) rules. I.B comes in three levels and in cases where there are insufficient National Insurance contributions is substituted by Income Support and Insurance Stamp Credits. Advising clients of their entitlements in these situations can be an incredibly complicated process.

Part Four - Consequences of the current system on incentives & disincentives to work

10. The Wise Group's experience is that there have been many improvements to the incentives to work produced by the benefits system, particularly through developments such as the Working Tax Credit scheme and Return to Work bonus. Often one of the biggest challenges faced by our programmes is proving to clients that they will not be disadvantaged by moving into work, which goes against commonly held perceptions. In recognition of this we have included a case study, below (paragraph 18), which highlights the positive impact that changes to the current system have had but also the anxieties faced by our unemployed clients when facing the prospect of losing the security associated with benefits.

11. However regardless of these significant improvements to the system there remain real challenges and very often the reality of using the system does not match the theory of how it should work. Delays in accessing Working Tax Credits can make the process of moving into work difficult and without the kind of additional financial support (e.g. supermarket vouchers, childcare support) organisations such as the Wise Group offer many would not be able to do so. This kind of support is not available to all however, and there remains a need for a consistent source of transitional support for unemployed people when moving into the labour market.

12. Changes have been made at Jobcentre Plus to fast track Working Tax Credit applications through an on-line system. However access to this new system is patchy and seems to be impacted on by staff shortages at Jobcentres. The paper-based system used instead is complex, cumbersome and lengthy and can be difficult to complete for clients with literacy and numeracy barriers.

13. Despite many improvements made to the current system there remain clients for whom unemployment seems to be a more financially sensible option than moving into work. This is not necessarily about people 'playing the system' but often about them making logical cost/benefit based decisions. The second case study featured below highlights one such client, that the Wise Group is supporting to find a financially viable route into work.

Part Five - the effectiveness of the Benefits Simplification Unit, progress of the DWP Simplification Plan and implications of the Freud Review

14. It is critically important the current system undergoes a process of simplification in terms of communication, rules and processes. However is equally important to get the balance right; a simplified system should not be produced at the cost of failing to recognise the complex and differing situations of benefits claimants. The DWP needs

to achieve a delicate balance between the need for a responsive individualised system and a simplified system - and these may not be mutually reinforcing calls. The Wise Group would agree with the NAO in stating "*An appropriate degree of complexity exists where there is a balance between the system being complex enough to meet the needs of a wide range of different individuals in various circumstances, yet straightforward enough to run efficiently.*" (ibid, p8)

15. There is certainly a clear need for simpler rules and simpler business processes and most importantly for a real simplification of the client experience in claiming and accessing benefits - this would undoubtedly reduce errors (both claimant and structural) and increase take up.

16. Roy Sainsbury'sⁱⁱ (University of York) proposals for a single system of benefits for all people of working age is an interesting one and could offer many advantages in providing a single set of rules and clarity in terms of what people are entitled to. It would also be considerably easier to administer and would remove many of the complications inherent in moving people through the benefit system (for example from unemployment related benefits to in-work benefits) where there can be significant delays and complications. Many Wise Group clients face a lengthy wait in accessing Working Tax Credit (up to ten weeks in some instances), which has implications for them at a time of real financial and psychological vulnerability. A single benefit would also remove the perception of risk involved in moving into work, as although in actuality this is often minimised by the Linking Rule this is not an easy concept to communicate to clients.

17. However there is still a need to recognise that the unemployed and workless are not a homogenous group and may have need of differing types and levels of support. Any move towards simplification must not result in people losing out. Some people may need more financial support than others, or have different needs and a simplified system must still have the capacity and flexibility to take account of these.

Part Six - Case studies to illustrate the reality of a complex benefits landscape

Stephen*

**please note that client's name has been changed to respect confidentiality*

18. Stephen had been out of work and claiming Incapacity Benefit for eight years as a result of mental health problems. He was married with children and found the thought of moving from benefits to work daunting, partly because his confidence was low but also because he was entirely unaware of the extra benefits he could receive on top of his wages. He had the prospect of a job trial but he was scared that taking it may mean that his family would be penalised financially. Wise Group staff worked with Stephen to explain to him the support available to him through Return to Work and Working Tax Credits.

19. A particular stumbling block for Stephen was completing the forms for Working Tax Credits and Housing Benefit, and intensive support had to be provided by Wise Group

staff to allow him to concentrate on starting his new job without worrying about paperwork - this additional support was crucial in allowing him to move into work.

20. Stephen successfully moved into work a month ago and is doing well. His Working Tax and Return to Work Credit are now being paid and his Housing Benefit has been updated, although some additional financial support was required from the Wise Group to support him through the transitional period.

Margaret*

**please note that client's name has been changed to respect confidentiality*

21. Margaret is married with one child and has been on Incapacity Benefits for four years. Her husband is also out of work because of severe health problems and requires a certain level of care and support from Margaret on a day-to-day basis. Despite her responsibilities for both her 2-year-old daughter and her husband Margaret has been keen to come off her benefits and find work.

22. Margaret actively sought support from her local Jobcentre in finding out what her financial position would be if she found employment. A 'Better Off' calculation conducted by the Jobcentre showed that for the hours she could manage to work employment was not a feasible option for her.

23. Margaret is however particularly motivated to work and continued to make enquiries on her own behalf as to whether or not this was the case. After she had communicated with both the Council Tax and Housing departments she discovered that the amounts of money she had been told she would be charged for council tax and rent had been incorrect. She then revisited the Jobcentre with these revised totals but was again informed that the hours she wanted to work would not be financially viable.

24. By this time Margaret had secured a potential post as a carer for a child with disabilities, a flexible job with hours that were suitable for her to meet her other responsibilities at home. She discussed the situation with her potential employers who agreed to increase the hours they had offered her to 26 hours a week. After discovering this Margaret re-contacted her Jobcentre to find out if this increase in hours will make work financially viable. However she was told that she would have to wait at least a month before she could get an appointment in order to run the Better Off check.

25. Margaret still doesn't know if she will be able to take the job on offer to her. She has been proactive in trying to move off Incapacity Benefit and into work but has faced a number of complications and blockages in the system that have been difficult to overcome and demotivating. The Wise Group is currently working with Margaret to provide her with more training and continue to support her to find a solution to this situation.

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ⁱ National Audit Office, Social Policy Focus. Briefing - Welfare, Work and Education. Autumn 2006.

ⁱⁱ See <http://www.york.ac.uk/inst/spru/pubs/pdf/reform.pdf>