

## Benefits Simplification

Debate on 5 Dec 2007

Briefing for MPs



### Introduction

As well as campaigning to end child poverty, Child Poverty Action Group (CPAG) is the principal independent second tier advice provider on welfare benefits and tax credits. We advise and train welfare rights advisers and publish a series of handbooks of which our key *Welfare benefits and tax credits handbook* (widely used by rights workers in take up work) runs to 1594 pages. We believe the growing complexity does cause problems. However, complexity in the system is often in response to the complexity of people's lives. Simplification must not result in a system that is unable to respond to people's needs.

CPAG's views on benefits simplification are set out more fully in our [Response to the Work and Pensions Select Committee inquiry on Benefit Simplification](#)

### Causes of complexity

- **History of system.** Until 1966 there was one safety net benefit which applied in all circumstances, provided the claimant satisfied the means test and came within a qualifying group (including the unemployed, sick people and elderly people), and satisfied conditions of entitlement such as not being in full time work. In 2008 there will be three (IS, JSA, ESA) for those under pension age, along with the Pensions Credit.
- **Meeting complex health and disability needs.** Sickness and disability needs are met by a combination of means tested (ESA(I), IS), contribution based (ESA (CB)) and extra support (DLA) benefits. Multiple medical and capacity assessments can be required for different benefits and repeat assessments show lack of consistency in decision making leading to high levels of appeals.
- **Spreading delivery of welfare provision.** Financial support is now delivered by the Department for Work and Pensions, the HMRC, delivering tax credits and child benefit, and the Asylum Support Service delivering allowances to some asylum seekers and their families. In addition Councils pay out housing benefit and council tax credit under the instruction of the DWP, the Department for Education and Skills pay Education Maintenance Allowances and fund Free School Meals, the Department of Health fund health benefits and Social Service departments pick up a variety of groups often other wise excluded (for instance care leavers and some migrants with children). This complex web of provision between different Departments and tiers of government inevitably creates gaps for vulnerable people to fall through. A lack of co-ordination and co-operation between the different parts of government add to the difficulties.
- **Backdating.** There are 4 different sets of rules on backdating: up to 3 months for some benefits without the need for special reasons; up to 52 weeks for other benefits without the need for special reasons; up to 52 weeks for HB if can show good cause; up to 1 month (or 3 months in certain cases) for IS and income-based JSA.
- **Revision and supersession.** Backdating criteria differ across different benefits. Once decisions have been made about an initial award, changes to that award bring with them fierce complexity in law. The Social Security Act 1998 failed to herald a new and simpler approach to decision-making. Regulation 7 of the Social Security and Child Support (Decisions and Appeals) Regulations 1999 alone has over 35 main paragraphs, and many, many sub-paragraphs – and it only deals with the date from which the change takes effect!

- **Restrictions.** Increasing the qualifying criteria for benefit increases complication. 16-24 year olds without children different and lesser entitlement to benefits. Immigrants and asylum seekers face restrictions such as the Right to Reside test.
- **Rights and discretion.** Discretion exercised by benefits assessors and claimant advisers e.g. on when to recover an overpayment, when to award a social fund grant and who can benefit from the Advisers Discretion Fund increase uncertainty and inconsistency in the system compared with a firmly rights based system.

## Problems of complexity for claimants

- **Non-take up.** Key means tested and disability benefits have low take up. This undermines the implied overall policy goal of getting the correct entitlements to entitled persons and families. While take-up of the universal child benefit is around 98%, it is around 82% for Child Tax Credit and lower still for Working Tax Credit.
- **Claimant error.** Error is a greater problem than fraud. With greater complexity, error has risen, especially given that poverty may be associated with factors such as not having English as a first language or low literacy that put claimants at an additional disadvantage in understanding the process of claiming. If processes are complex and if inadequate advice or support (for instance face to face advice) is available then claimant error is quite likely, leading to other problems further on (including non-take up, underpayments and overpayments).
- **Poor decision-making, official error and inconsistency.** If administrators cannot understand the benefits that they operate then official error is very likely. High error rates, as witnessed by a well-used appeals process and one which frequently awards in favour of claimants, cause difficulties for claimants (for instance being denied their entitlements) and they cause difficulties for administration in setting these right at a later date. The voluntary sector is often needed to pick up the pieces of this by providing independent advice and assistance to appeal, yet this is, itself, an indication of broader systems failure and good quality advice is not always easily accessible to claimants.
- **Delays.** Delays associated with the complex bureaucracy and lack of communication between benefit agencies lead to poor claimant experience and financial hardship. It is worsened by the under resourcing of the system. Delays not only cause difficulty for individuals, and can exacerbate child poverty, but have a knock on impact on the rest of the social security system (through, for instance, the social fund having to cover shortfalls of other benefits which have not yet been paid).
- **Benefit interaction.** Passporting of benefits increases the capacity for errors to arise and take-up to fail. This is worsened by departmental ineffectiveness in sharing data, as witnessed by the test case of Mrs Hinchy<sup>i</sup> taken by CPAG, in which the DWP successfully argued that even though one part of DWP knew about her change of circumstances, other parts of the DWP could not be assumed to know about the change. CPAG believes greater universalism is appropriate for some passported benefits – e.g. free school meals.
- **Stigma, time and quality of service.** A complex system which requires much of claimants (including stress, time, travel and phone calls), asks them personal questions, particularly around income and family circumstances, and potentially separates them out from their peers (through the means test) risks stigmatising claimants. This undermines anti-poverty objectives and punishes them for their poverty. A decent quality of service, delivered through the DWP or other Departments such as HMRC, should be a matter of right not luck.

## Principles of a well designed benefits system

- **Focused on family security and ending child poverty.** Reform to simplify the benefits system must be based on the strategic priorities of ending child poverty and improving access to work, not easing administrative burden.

- **Adequacy.** The poverty line for a couple with children aged 5 and 14 years is £306, but the out of work safety net income is £204.44 – just 67% of the poverty line income. DWP’s own research suggests that DLA is insufficient to meet the extra needs of disability.
- **Sensitivity to need.** Without ensuring sensitivity to different needs and capabilities, moves to simplify risk not only being unjust in many ways but creating large groups of losers.
- **Balanced use of universal benefits.** Re-balancing financial support towards more universal provision for children alongside the existing tax credits would be an important simplifying measure. Universal benefits balanced by progressive taxation are simpler, cheaper to administer and more effective at helping families in greatest need than complex means-testing.
- **Rights based ethos.** A rights-based ethos should be strengthened. The clarity rights-based benefits provide for qualifying criteria strengthens the arm of claimants to challenge where decisions are wrong and provides a powerful lever to improve decision making. Claimants should have access to the information and advocacy that will help them understand and access their welfare rights.
- **‘Black box’ complexity for the claimant.** High quality administration of the benefits system should allow the system to retain the complexity necessary to meet claimants’ needs, but confront claimants with less of that complexity themselves.
- **Disability requirements.** We would welcome simplification in the delivery of health or disability related provisions but some complexity will remain inherent given the needs. Despite this there are practical solutions Government should be developing urgently– we recommend a greater focus on both better staff training to support families and mechanistic administrative improvements, alongside more long term thinking around structural reform.
- **Properly resourced administration.** Current ‘efficiency’ savings are detrimental to the effectiveness of administration. Sufficient, well motivated and well trained staff are vital to helping support claimants negotiate the benefits system.

## Comments on key Work and Pensions Committee recommendations and the Government’s responses:

### **Recommendation 1 – means testing and complexity**

CPAG welcomes the Government’s commitment to simplify means-testing where possible and keep the amount of means testing under review in future reforms. However, we dispute the unexplained assertion that the scope for future means testing is likely to be limited.

### **Recommendation 3 – interaction between benefits**

The DWP report [Benefits Simplification and the Customer](#) [link] found that “Simplicity for customers is about the simplicity of the system as a whole not the simplicity of individual benefits”. Any proposed change to a benefit, tax credit or tax rule should be checked or ‘proofed’ for possible interactions with other existing systems, which might make the claimants experience more complex, or detract from the delivery of its policy objective. The expertise of the Social Security Advisory Committee should be harnessed to provide such an overview.

### **Recommendations 12 & 13 – better-off calculations**

Better off calculations are not currently accurate because they do not respond to the full complexity in the system. For example the loss of passported benefits like free school lunches and free prescriptions are not included. Better-off calculations must take full account of lost passported benefits and the wider costs of moving into work or increasing hours of work, including tax and national insurance contributions. The government should prioritise improvement of better-off calculations before extending their use.

### **Recommendations 14 & 15 – tax credit interaction and role of Social Security Advisory Committee**

CPAG is highly critical of the failure to allow the Social Security Advisory Committee (SSAC) to cover all welfare benefits and tax credits on a statutory basis, no matter which Government department they happen to fall under. The Government persist in exempting it from having any public or statutory role in relation to working tax credit, child tax credit, child benefit and guardian's allowance, despite having assured Parliament otherwise during the passage of the Tax Credits Act 2002. This dogmatic adherence to the view that HMRC administered provision is somehow different from other welfare benefits is without any justification.

**Recommendation 17** – *groups for whom work is not the best route out of poverty*

Although the government believes that work is the best route out of poverty for benefit claimants, it must not ignore the minority for whom this is not the case. For groups such as carers, some lone parents and some disabled people who cannot reasonably work, adequate benefits are the only route out of poverty.

**Recommendation 23** – *benefits advice from other public service agencies*

Improved benefits advice from health service providers could have a major impact on take-up of disability and sickness benefits. In particular, we believe that advice should be provided to disabled children through health services to improve access to DLA.

**Recommendation 32** – *benefit uprating and poverty eradication*

Benefit uprating decisions should not be taken by politicians and should not be linked to inflation. They should be based on independent assessment of adequacy and related to rises in earnings to prevent benefit recipients falling into more severe relative poverty.

**Recommendation 38** – *single working age benefit*

CPAG has concerns about the specific model for a SWAB proposed by IPPR. It takes a work over welfare approach, whereas we believe that the benefit design must be based on the fundamental principle of family security through welfare rights.

**Recommendations 43-45** – *establishment of a Welfare Commission*

We support in principle a Welfare Commission and agree that it is unlikely that significant gains on benefit simplification will be made otherwise. However, the remit of such a commission would be crucial: it should be clearly instructed to make the reduction of child poverty, which is the government's top domestic priority, the underpinning principle of its inquiry and subsequent recommendations.

## About CPAG

CPAG is the leading charity campaigning for the abolition of poverty among children and young people in the UK and for the improvement of the lives of low income families. CPAG aims to: raise awareness of the causes, extent, nature and impact of poverty and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. CPAG is a founder member of the campaign to End Child Poverty.

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<sup>i</sup> This case was heard by the House of Lords in February 2005. The case related to a claimant who was overpaid one benefit (income support), as a result of another having come to an end (Disability Living Allowance). The ruling suggested that the claimant had failed to report the change, even though both benefits were administered by the same department.