



Welfare Reform Bill

Second reading briefing from CPAG

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Introduction

This briefing contains a summary of CPAG's views on the Welfare Reform Bill. The rest of this introduction contains some overarching points, and is followed by comments on the Bill's proposals which are most relevant to CPAG's work.

CPAG is in favour of more support for those able to work, but we do not believe it is right to increase conditionality and to seek to force many claimants into what may be a fruitless search for employment at a time of economic crisis. The focus on conditionality and sanctions in the Bill at a time of rising unemployment will cause anxiety and fear amongst those affected - lone parents, disabled people and those facing the prospect of unemployment. The measures will lead to an increase in the number of vulnerable people experiencing sanctions; and cuts to their benefit will increase hardship.

The economic crisis has shown how important the state remains as a guarantor of a functioning society. With the jobless total close to 2 million, it is disappointing that there is nothing in the Bill about ensuring the benefits system better secures adequate incomes for those who lose their jobs due to the recession, or those lone parents and disabled people who are unable to find work. Instead the Bill, and other measures outside the Bill, further undermine contributory benefits and propose the abolition of income support, our main safety net benefit.

The increasing stresses on Jobcentre Plus staff needs greater consideration too. Extra investment has been provided to help with the surge in unemployment, but not with the increased workload due to additional claimant contact requirements with new groups of claimants.

Greater discretion will rest with Personal Advisers, which could become a barrier to entitlement – particularly to the promised support. Contractors may be technically excluded from making decisions on benefit entitlement, but are nevertheless an instrumental link in the chain that results in sanctions. Protections in the form of a 'Claimant's Charter' must be considered.

The Bill is not so much skeletal as invertebrate. For example, Clause 7 (which provides for the abolition of income support) empowers the Secretary of State to repeal any act or regulation where he considers it necessary or expedient to do so. Such a wide ranging provision is out of place in a parliamentary democracy. CPAG believes that, as was the case with the Welfare Reform Act 2007, extensive draft regulations must be published prior to the committee stage of the bill. It is impossible for parliamentarians to undertake democratically accountable and effective scrutiny of these major changes without sight of the crucial detail.

Work for your Benefit (clause 1)

'Work for your benefit' is workfare. It is enforced labour at a rate of as little as £1.73 per hour (combining current JSA rates with a 35 hour week). The Bill proposes piloting of workfare - and would allow for a national rollout without further primary legislation. But DWP research already suggests that:

- there is little evidence that workfare increases the likelihood of finding work;
- it is least effective in getting people into jobs in weak labour markets where unemployment is high;
- it is least effective for individuals with multiple barriers to work; and
- it can reduce employment chances by limiting the time available for job search and by failing to provide the skills and experience valued by employers.

If the Government wishes to provide employment for the long term unemployed to assist with reintegration into the labour market, it should do so with genuine jobs that comply with minimum wage legislation. If Ministers want to allow claimants to undertake voluntary work, they should focus on removing barriers in the benefits system, rather than a system of compulsion which is completely at odds with the ethos of voluntary work.

Abolition of Income Support (clause 7)

The Bill grants the Secretary of State (SoS) wide unfettered powers to remove the right of any category of person to claim income support (IS). Those currently entitled to claim IS include lone parents with young children, carers, foster parents and some pregnant women. The Bill provides that any groups that remain on IS can be required to attend work focused interviews (WFI's), and undertake work related activity (WRA) or be subject to a sanction.

The Bill also creates new categories of jobseekers allowance (JSA) claimants, those previously entitled to IS, who will not be subject to the normal job seeking requirements, but may be required to attend WFI's and undertake WRA or be subject to a sanction. Lone parents whose youngest child is under 7 will be the main group affected.

Increasing conditionality, for lone parents especially, appears to be an ideological belief rather than an evidence based policy. The Government believes that work is the best route out of poverty, and this is a central plank of its child poverty strategy. However, the UK already has the 5th highest employment rate in the EU and highest of the larger economies. If simply having a high employment rate was in itself the primary way to tackle child poverty, the UK's record would not already be so shameful. Over half of all poor children live with a working parent, and we urge the Government to address the wider factors behind child poverty and the lack of support to improve access to employment, rather than increasing obligations on lone parents.

Increased Conditionality for couples (clauses 2 - 6)

The Bill makes two changes for couples claiming benefit. Firstly, it removes the right of a sick or disabled person to claim Employment and Support Allowance (ESA) for

the couple where their partner could instead claim JSA. This is likely to result in a huge increase in the number of claims for ESA from partners who have previously undeclared health conditions. It will also lead to claimants facing massive complexity. For example, many couples will be unsure as to which one of them should claim which benefit, JSA or ESA, which would lead to multiple claims for benefit and drawn out disputes about entitlement, backdating, disputed medicals, etc.

Secondly, the Bill requires partners of claimants of IS, ESA and JSA to undertake work related activity or be subject to a sanction.

It is CPAG's belief that parents with primary childcare responsibility, whether a lone parent or a partner of a claimant, should have choice about entering work and that such a choice needs a far greater level of support than currently available. In particular, childcare provision is extremely patchy and inadequate for older and disabled children. There is currently only around one childcare place for every 200 children over 11 years old. CPAG opposes an increase in conditionality and consequential sanctions which can only create hardship for parents and their children and fail to address barriers to employment.

Work related activity (clauses 2 - 6)

The power to require ESA claimants to undertake 'work related activity' was introduced in the Welfare Reform Act 2007. As yet the power has not been exercised. The Bill amends the definition of WRA, not only for ESA claimants but for others obliged to undertake it by other provisions of this bill (see above).

The amendment will allow the SoS, and private contractors, to issue mandatory directions to lone parents and sick and disabled claimants that they must undertake a specific activity, or face a sanction. During the parliament scrutiny of Welfare Reform Act 2007, MPs were rightly concerned that disabled claimants should not be subject to such mandatory directions. Accordingly the Government assured MPs that claimants would only be obliged to undertake some type of activity and gave the following undertaking,

"The draft Regulations state, very specifically; 'Claimants cannot be forced to undertake a particular activity'. That means we will not take the power to force a customer to undertake a specific action"

Jim Murphy, Minister for Employment and Welfare Reform.

Welfare Reform Bill Standing Committee 26 October 2006, column 260

CPAG believes it is wrong for lone parents and sick and disabled claimants to be sanctioned for not carrying out specific types of WRA, especially when directed by private contractors being paid by results. The Government should honour the protection it promised to vulnerable claimants when introducing the concept of WRA into the benefits system.

While the Government has long sought to justify increased conditionality for many claimants on the grounds of increased provision of high-quality, personally tailored employment and skills related support, they have failed to deliver any entitlement or guarantees that high-quality tailored support will be delivered. A form of statutory entitlement to high-quality support would ensure that claimants are not let down by political failure to deliver resources needed and ensure the necessary capacity and

quality of services to meet demand. It would also encourage positive engagement with services.

Drug mis-users (clause 9)

DWP research estimates a problem drug use prevalence rate of 6.6% of claimants – one in twenty people. Yet the Bill gives the SoS the power to ask all claimants of JSA and ESA stigmatising intrusive questions and subject them to intimate drug tests. The penalty for not complying with the test, or any resulting ‘rehabilitation plan’ is loss of benefit for 26 weeks.

Any successful strategy to combat drug dependency amongst claimants needs to be based on a positive relationship between claimant and the DWP – coercion is unlikely to prove effective and the related income penalties could lead to increases in crime.

Contribution conditions (clauses 10 & 11)

The Bill proposes a significant restriction on eligibility for contributory JSA and ESA. Those in work will find that they have to work for longer to pay the contributions required to qualify for benefit, and for ESA; and will find that years when they did meet the requirement will no longer count towards qualifying for contributory ESA. The changes will reduce the number of claimants who qualify for contributory ESA and JSA. At a time of rising unemployment, this measure will force many more claimants on to means tested benefits which are complex and suffer from low take-up. Others will have no entitlement at all to means tested benefits, so this measure will simply leave many people who lose their jobs in this recession with less income than they would previously have had.

Dependents Additions (clause 12)

The Bill proposes to abolish dependent additions paid with carers allowance and maternity allowance. Both benefits are non-means tested and are paid to some of the poorest people in the country. Removing the dependent addition will lead either to an increase in reliance on means tested benefits, or for those who fail the means test, having to live on a lower level of income.

Social fund (clauses 13 - 17)

CPAG welcomed Ministers’ distancing themselves from the proposal in the recent DWP consultation document “The Social Fund: A new approach” that interest could be charged on social fund loans. We would like to see this reflected on the face of the Bill or in the pursuant regulations.

The Bill proposes to outsource the delivery of parts of the social fund to external providers. The Government has not produced any evidence or rationale for how this will improve the operation of the social fund. It seems a rather bizarre proposal to try to privatise the credit provision of last resort for benefit claimants at a time when the Government is socialising the wider banking system.

CPAG and many others have been calling for the reform of the social fund for many years, and a wealth of well researched proposals have been put forward and consistently ignored by successive governments.

Increasing access to low cost credit is welcome but should not be done at the expense of the social fund. Adequate investment in the social fund and adequate investment in the grants process must be at the heart of reform. Devolved and cash-limited budgets, which create a highly discretionary postcode lottery system, should be reformed so that there is no geographical disparity in entitlement.

It is regrettable that having decided to take action, the Government has not only ignored such proposals but conducted a hasty and botched consultation. The result is another missed opportunity to improve what is a vital resource for the country's poorest people.

Benefit penalties for 'offenders' (clauses 19 & 20)

The Bill proposes that claimants who have not been convicted of any offence of fraud will have their benefit suspended for four weeks. The proposal widens the current 'two strikes rule' considerably. No conviction is required – those who accept a caution or administrative penalty will suffer the penalty, and it can be applied to a first 'offence'.

The proposal will catch many who are overpaid benefit due to a DWP mistake or genuine error or misunderstanding on their part, but who but lack the skills and confidence to seek advice and challenge poor decisions made by the DWP.

Fraud is now a smaller problem than error. The problem of fraud (and loss to the tax payer) is also smaller than that of non-take up, yet the Bill has nothing to say about how those missing out on their entitlements can be helped to claim. In addition, continuing to issue high profile 'tough' messages stigmatises the claimant population by instilling a wrongful stereotype that claimant fraud is common.

The right to control for disabled people (Part 2)

We fully support the Government's commitment to achieve equality for disabled people, including greater choice and control over services they receive. It is important for the child poverty agenda because one in four children are affected by disability.

We are concerned, however, that the aims stated in the Green Paper of '...ensuring support is targeted to those who need it most...' and 'the ...redistribution of power from the State to the individual...', may mean more intrusive means-testing and restriction of state support to only the very poorest and needy. What is of paramount importance is that disabled people actually receive the services they need.

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.

Child Poverty Action Group is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339), and is a company limited by guarantee, registered in England (registration number 1993854). VAT number: 690 808117

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