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Benefits Simplification

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The Work and Pensions Committee

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Summary

A welfare state which aims to meet the diverse needs of millions of vulnerable people will never be simple. Yet our current benefits system is stunningly complicated. It is when complexity becomes dysfunctional, making it hard for staff and claimants to navigate the system, that difficulties arise. We conclude that the UK benefits system has an unacceptable amount of dysfunctional complexity and that its simplification should be a key priority for the DWP.

The DWP alone administers around 40 benefits, allowances and grants, many of which have different eligibility criteria and governing rules. The tax credits system and other bodies add a further layer of complexity. There are recurrent problems of interaction between benefits, conflicting rules and entitlements which are affected by other parts of the benefits system. The process of administration can contribute further to complexity. Many rules reflect administrative constraints and poor administration causes problems.

Some good work is underway within the DWP on incremental and operational improvements. Work has started to make it easier for claimants to report changes, and to begin a long-overdue move towards a single point of contact for this purpose. The Department has established a Benefit Simplification Unit (BSU), which has produced a Simplification Guide for staff involved in policy making and a Progress report which outlines some of the changes to benefits rules that the BSU has been instrumental in introducing. Some alignment measures were announced in the 2007 Budget.

Nonetheless, the BSU is reactive, concentrates on proposals for new policies rather than systematically reviewing the existing structure, and is under-resourced, having only four full-time staff. Different DWP Ministers are responsible for better regulation, welfare reform and simplification and there is no systematic attempt to address the combined and overlapping complexities of the benefits and tax credits systems.

We believe there are opportunities for merging some benefits, aligning the rules of eligibility and, where means-tests are necessary, the information required from claimants.

We favour easier access for claimants with easily navigable on-line claim forms.

The impact of complexity on official error figures is a persistent problem for the DWP and this combined with complex administrative processes, and inadequate training, can create significant operational difficulties. From the claimant perspective, customer error and the ensuing repayments can contribute to financial hardship and complex rules and interactions act as work disincentives.

Incremental reform of the benefits system, whilst valuable in the short-term, cannot address far-reaching systemic complexity. Small-scale changes can improve the rules of some benefits, or the work incentives for some claimants, but they cannot reasonably be expected to have a long-term impact on wholesale simplification. Indeed, given the shifting sands of social security, as new legislation is introduced, the very reforms that were aimed at simplification can end up creating further complexity.

We conclude in this report that whilst efforts are being made to simplify benefits, the piecemeal approach that the Government has taken so far is “nibbling at the edges” of our vast and hugely complex social security system. We do not deny that tackling dysfunctional complexity is an epic task but we are disappointed that the Government has not set out a clear vision of a simplified system. If simplification is indeed a priority, the Government should outline what a simpler system might look like, steps to reach this goal and set out a timetable to achieve it. To contribute to this debate the Annex to the Report sketches out one possible model of a simplified system, which would also incorporate tax credits.

We ask the Government to consider the case for more radical reform, such as the development of a single working age benefit, by undertaking modelling to identify whether this is a feasible goal for the UK. We note the role the Pensions Commission had in working through alternative systems, assessing options and achieving consensus about the future for UK pensions and propose the establishment of a Welfare Commission. We think that only by undertaking a full examination of the possibility for fundamental change, can the Government determine the best approach to simplification.

1 Introduction

1. The complexity of the current UK benefits system is illustrated by the fact that the latest edition of the Child Poverty Action Group's publication, the *Welfare benefits and Tax Credits handbook*, which is widely used by welfare rights workers, has 1,594 pages¹ and the DWP's on-line *Decision-Maker's Guide* runs to 14 volumes.²

2. Simplifying the system, or at least managing its complexity, has been the subject of increasing scrutiny from experts and interest groups both within and outside Government. The National Audit Office³ and the Public Accounts Committee⁴ have both conducted inquiries, which we have studied closely; the Department for Work and Pensions has established a 'Benefit Simplification Unit' (which we will discuss in further detail later in this report) and the possibility of more fundamental reform has been raised by the Government⁵ and David Freud⁶ and is currently the subject of a study by the Institute for Public Policy Research.⁷ We have not sought in this inquiry to re-run the detailed analyses included in the reports described above. What we seek to do is take the debate forward, explore what progress is being made and make recommendations to Government on where it should go next.

3. The Government's responses to the Freud and Leitch Reviews were published shortly after this report was agreed but before it was published. We look forward to these important statements of policy, and will take evidence on them separately.

4. We were grateful to receive written evidence from 25 organisations and individuals, and also held five oral evidence sessions with a range of witnesses. We also benefited from the expertise of our two Specialist Advisers, Dr Roy Sainsbury, Social Policy Research Unit, University of York, and Professor Paul Spicker, Centre for Public Policy and Management, The Robert Gordon University, Aberdeen.

5. One underlying theme of this report is that the simplification process must focus on claimants. Our two UK visits for this inquiry, to Stratford in East London, and Leeds and Doncaster, therefore included discussions with people applying for benefits. We were interested to learn about their experiences and what it feels like to use the system. These meetings gave us a chance to talk to DWP staff, who should also be integral in any efforts to reduce complexity. We went to speak to experts and politicians in Los Angeles, San Francisco and Sacramento about the efforts which have been made to simplify welfare payments there. This experience has extensively informed our report.

¹ Ev 191, para 2

² www.dwp.gov.uk/publications/dwp/dmg/

³ National Audit Office, *Department for Work and Pensions: Dealing with the complexity of the benefits system*, HC (2005-06) 592

⁴ Committee of Public Accounts, Thirty-Sixth Report of Session 2005-06, *Tackling the complexity of the benefits system*, HC 765

⁵ DWP, *A new deal for welfare: Empowering people to work*, January 2006

⁶ David Freud, *Reducing dependency, increasing opportunity: options for the future of welfare to work*. An independent report to the Department for Work and Pensions, 2007

⁷ Ev 93

6. What has come out of this inquiry is that there are no easy answers. But the very real problems caused by complexity must be faced and addressed across the Government as a whole, especially given the prospect of significant changes to the way in which employment and support programmes are delivered. DWP should be driving a systematic review of the benefits it administers and the links with other agencies. We have serious concerns that, while a start has been made, this is not happening at the moment.

The sources of complexity

7. Complexity in the benefits system is a real problem for the DWP. The National Audit Office (NAO) concluded in November 2005 that “an equilibrium between the [benefits] system being complex enough to meet the needs of a wide range of different individuals in various circumstances, yet straightforward enough to run efficiently”⁸ was not being reached. It drew attention to the impact on fraud and error, the work created by appeals and the degree of customer support required, concluding that “in the NAO’s opinion, [complexity] is perhaps one of the most important issues impacting on the performance of the Department.”⁹ Given that the NAO has qualified the DWP’s accounts (and those of its predecessor Department for Social Security) for 17 successive years,¹⁰ its assessment has to be taken seriously.

8. The complexity of the benefits system reflects, to some degree, the complexity of the circumstances it is dealing with. It deals with contingencies that can be difficult to identify or classify, such as work status, personal relationships and disability. It often deals with changing circumstances. Relationships change, for example through divorce and repartnering. Personal needs change: disability can be different from one week to the next. Income fluctuates. Some people are in marginal employment, shifting between temporary, casual and irregular work. Janet Allbeson of One Parent Families commented that the models used for benefits “do not take on board how swiftly people’s circumstances change, particularly those of working age. Tax Credits made that mistake, Child support has made that mistake. The systems just cannot cope with it.”¹¹

9. The DWP alone administers around 40 benefits, allowances and grants, many of which have different eligibility criteria and governing rules.¹² There are recurrent problems of interaction between benefits, conflicting rules and entitlements which are affected by other parts of the benefits system.¹³ The process of administration can contribute further to complexity. Many rules reflect administrative constraints, for example on claiming, backdating, recovering overpayment, verification or reporting changes in circumstances.

⁸ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, Executive Summary, para 35

⁹ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, Executive Summary, para 3

¹⁰ DWP, *Resource Accounts 2005-06*, HC (2005-06) 1710, p 36

¹¹ Q 138

¹² National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, para 1.2

¹³ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, para 2.18

10. Viewing the system from the claimant's perspective, though, the complexity arises not just from this structure, but also from the individual's experience of the process, and whether or not the letters they receive are clear and comprehensible, their claims are dealt with efficiently and they have access to help if they need it.

11. The DWP's own recently produced 'Simplification Guide' included a powerful critique of the status quo and an analysis of the sources of complexity within its own systems:

"The benefits system has too many detailed and varied rules ... too many 'special' groups mean that people in similar situations are treated differently ... information cannot easily be explained to customers and staff are required to give non-routine explanations to customers ... customers and staff are expected to know things they do not know and can obtain only with difficulty ... customers are required to make difficult decisions which require expert advice to decide the best course of action ... staff are expected to interpret rules using subjective judgements rather than having to follow instructions ... the system is full of anomalies, out-of-date rules, and historical transitional provisions.

"The benefits system has become administratively cumbersome ... duplicated or overlapping benefit provision gives rise to complex links and dependencies between the various benefits ... information flows develop that are not fully automated and staff are forced to rely on clerical intervention ... co-operation is required from third parties which cannot be guaranteed.

"The benefits system requires people to behave in a way that appears contrary to what common sense would suggest ... customers can be better off by claiming a benefit even though they will not be paid it ... customers are expected to manage their financial affairs through unusual means ... customers are required to act in a particular fashion or respond to requests for information without understanding why this is relevant."¹⁴

12. A number of the reports produced on complexity, for example the 2005 Report by the National Audit Office, have broken down complexity into various types. The NAO chose to focus on five different aspects: (1) relating to the way the system has been designed and (2) subsequently amended, (3) the complexity generated by how different layers in the organisation work together, (4) how different benefits and parts of the organisation interact with others and (5) the way benefits are delivered.¹⁵

13. We recognise the usefulness of the NAO analysis, but in this inquiry we have chosen to look at complexity somewhat differently. Our starting point is the ample evidence that we have received and have read that complexity needs addressing. We heard a range of ideas about how Government, its agencies and other bodies could and should respond to existing complexity. We identified three types of response in the evidence we have been given:

¹⁴ DWP, *Simplification Guide to Best practice*, Benefit Simplification Unit, Revised Edition, May 2007

¹⁵ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, Executive Summary, para 9

- The first type of response is to ‘shield’ the claimant from complexity by improving the claimant experience of dealing with the benefit system. Sue Royston, from Citizens Advice, who was seconded to the Benefit Simplification Unit for nine months to write a report on the complexity of the benefits system from the claimant’s perspective, similarly referred to “masking” complexity from the claimant;¹⁶
- The second response is to identify specific sources of complexity in the rules and administrative processes of the benefit system and make incremental changes to simplify them; and
- The third type of response is to consider the possibility of fundamental reform to the structure of the benefit system as a way of achieving a step change in simplification.

14. We explore each of these types of response in the later chapters of this Report, but it is important to note at the outset that the options are not mutually exclusive. We have also included a section on how the existing benefits system, with its various complexities, impacts on work incentives, as we see this as a key issue.

Tax Credits

15. The written evidence we received stressed that complexity also arises from the number of different Agencies people have to deal with, and in particular the links with Tax Credits. Although they are not strictly within our remit, being the responsibility of Her Majesty’s Revenue and Customs (HMRC), it is clear that – for claimants – this is all part of the same, confusing, system.

16. One Parent Families commented that “to focus simply on DWP-administered benefits is to risk ignoring key areas (and their interactions) which need to be addressed if ordinary peoples’ lives are to be made easier.”¹⁷ Donald Hirsch of the Joseph Rowntree Foundation (JRF) agreed, particularly in the case of Tax Credits, saying:

“To them [claimants] it looks like a benefit ... It seems to me that – whether it is for individuals, government departments or parliamentary committees – it is just a complete nonsense to draw that distinction.”¹⁸

And Fran Bennett of the University of Oxford agreed:

“It is absolutely essential that the interaction between benefits and Tax Credits, and the interaction between benefits and child support, for example, are tackled. You can only do that in a cross-government way.”¹⁹

17. We have therefore sought and received evidence on what DWP is doing to work with HMRC to improve integrated delivery, and we cover this in a later section of this report.

¹⁶ Q 2

¹⁷ Ev 139

¹⁸ Q 21

¹⁹ Q 21

Complexity: a necessary evil?

18. As Dr Paul Dornan of the Child Poverty Action Group told us, “complexity is of no benefit per se but there may be reasons why it is there.”²⁰ John Wheatley of Citizens Advice described the positive virtues of aspects of complexity:

“Things like adviser discretion, which give personal advisers the discretion to spend money on getting claimants into work. Some of the in-work benefits and some of the linking rules have the potential to be very good. They do add complexity, but I think they depend very critically on the people running the system knowing how to use them, knowing when they come into play, and on claimants themselves having an awareness of them.”²¹

19. The fact that individual needs might not be met in a simplified system was highlighted by a series of organisations. One Parent Families described a certain amount of complexity as “inevitable”,²² noting that what could appear simple at first sight (like the 2001 child support reforms) might turn out to be very complex in practice;²³ and concluding:

“Whilst a concerted drive towards greater simplification is to be actively encouraged, measures which fail to take proper account of the wide variety of different circumstances of those reliant on state help are likely to be either prohibitively expensive or unacceptably harsh.”²⁴

20. Every Disabled Child Matters asked whether the benefits system should be “simple but unfair or ... fair but complex”?²⁵ Similarly, the Wise Group, while describing the system as a “complex morass”, added that there was a need to ensure that any new system retained the ability to deal with the individual needs of the diverse body of claimants.²⁶

21. Professor John Veit-Wilson, University of Newcastle upon Tyne, pointed out to us that Lord Beveridge had stressed the inevitability of complexity, quoting from his Report on *Social Insurance and Allied Services*:

“The social security system even when unified and simplified in the way proposed here must still be a machine with many parts and complications to deal with all the complexities of need and variety of persons.”²⁷

22. And when giving oral evidence, James Plaskitt, Parliamentary Under-Secretary of State, Department for Work and Pensions (referred to in this report as ‘the Minister’) endorsed this point, stressing:

²⁰ Q 136

²¹ Q 89

²² Ev 140, para 5

²³ Ev 142, para 23

²⁴ Ev 139

²⁵ Ev 145, para 17

²⁶ Ev 151, paras 2-3

²⁷ Ev 218, para 3

“What you want is a system which plays fair by people, reflects the very different and very complex circumstances which people present when they engage with the benefits system, responds to specific needs in a way that we would like to see, and all of that is pushing you towards more and more complexity.”²⁸

23. However, it was stressed to us that the inevitable nature of complexity did not mean nothing could or should be done. Donald Hirsch of the JRF drew “an important distinction between having a complex set of rules that affect an individual at any one point in time and the degree to which the system as a whole has many different facets”²⁹ and Fran Bennett added that the ‘inevitability argument’ was true “to some extent ... but quite often it can be used as an excuse. Quite often, complexity is actually about excluding people from entitlement rather than trying to meet complex needs.”³⁰

The benefits of – and imperative for – simplification

Reducing error

24. Complexity becomes a problem for DWP staff when it is the cause of uninformed or wrong advice, errors and appeals. One particular area identified by the NAO and the DWP as a problem exacerbated by complexity was official and customer error, the NAO noting that “much of [it] is generated by the complexity of the system.”³¹ The DWP report, *Getting welfare right: Tackling error in the benefits system* clearly stated that “simpler systems are ... less prone to error”, stating that the Department is aiming to prevent new error from getting into the system “by simplifying the design of social security benefits, starting with those most vulnerable to error. A simpler benefits system will be easier to administer and will help our staff follow the correct procedures.”³²

25. The DWP Public Service Agreement aim is to reduce losses from fraud and error in Income Support and Jobseeker’s Allowance by 15% by March 2010 against the baseline set in 2006, and by 25% in working age Housing Benefit by 2008 against the 2002-03 baseline.³³

26. Fran Bennett of Oxford University emphasised the importance of getting things right first time in the attempt to drive error rates down:

“if you make it right first time, again it is a kind of invest-to-save, win-win situation because you do not get so many complaints and so many reviews and so many appeals further down the line, which, of course, are very labour intensive and frustrating for claimant and administrator alike”.³⁴

²⁸ Q 320

²⁹ Q 1

³⁰ Q 2

³¹ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, Executive Summary, Para 3

³² DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, Para 9

³³ Jobcentre Plus Business Plan 2007 – 2008, p 12

³⁴ Q 60

27. Anna Pearson of Help the Aged linked complexity and error very clearly, describing a situation where staff at DWP were “trying to do their best for people, trying really hard to meet that person’s needs, but actually not empowered to do it because they can hardly understand the calculations they are making”.³⁵ Disability Alliance was also highly critical:

“With complex claiming processes and inadequate advice or support available, especially face to face advice, claimant errors can often lead to other problems developing down the line, for example, non-take up of relevant benefits, underpayments and overpayments, debts incurred, etc. The DWP appear to be institutionally failing with regards to provision of accurate and more importantly complete information to claimants about all of their choices and options when interactions occur.”³⁶

28. DWP staff voiced their own concerns about the impact of complexity on their work. Steve Devereux, a Jobcentre Plus Benefit Delivery Centre manager, told us:

“simplification from the staff perspective would reduce a lot of frustration around the system simplification would reduce training and that in turn would make a member of staff more effective it would improve our accuracy, the staff’s interpretation of the benefit and the assessment of the benefit, and that in turn would make for more efficient and effective use of the Exchequer ... simplification should result in a better service to the customer.”³⁷

29. The Minister conceded that the rate of progress in reducing error had not matched the impact the Department had been having on fraud.³⁸ He hoped that the counter-error strategy noted above would begin to show progress shortly:

“The figures which are published on error of course have quite a lag in them, so the recent ones have not shown particularly significant progress, although the last issue of figures did show a further £100 million fall, I think, in the error estimates, which was encouraging.”³⁹

Stronger and Clearer Incentives to Work

30. As well as leading to errors – and the consequent increase in appeals and the workload for decision-makers – complexity leads to uncertainty and indecision for claimants. This is particularly important as people start to consider whether or not to enter the labour market. We cover this in more detail in the later section of this report on work incentives, but it was an issue on which we received a substantial amount of evidence.

31. Sue Royston, from Citizens Advice (and secondee to the Benefit Simplification Unit), spoke powerfully of the impact that complex bureaucracy can have on individual

³⁵ Q 94

³⁶ Ev 178, para 17

³⁷ Q 227

³⁸ Q 349

³⁹ Q 350

motivation, saying “Everyone wants those who are able to go back to work to return to work but, for people caught in messes like this, it does significantly affect their lives.”⁴⁰

32. Donald Hirsch of the JRF agreed, commenting “the particular risk of having complexity ... is not realising what you could be entitled to in work. Even though on paper it looks like you are better off, you do not realise it”⁴¹ and concluding:

“it creates a kind of conservatism really. It creates the opposite of flexibility. If you are getting something and you have an opportunity to do something else, you are afraid of changing your status. That is particularly also to do with the difficulties we have in huge distinctions between your status when you are working and not working.”⁴²

33. And Paul Treloar of Disability Alliance took the view that the interactions between benefits “actively work against people thinking ‘This is something that I can manage and achieve’ because of the concern around losing benefits or losing income and not fully understanding the situation.”⁴³

Achieving policy objectives and efficiency

34. Complexity becomes a problem for Government when it acts as a barrier to what it wants to achieve, especially in welfare to work. And therefore simplification, and viewing services from the claimants’ point of view, must not be looked at in isolation. It may, firstly, form a useful tool in the process of efficiency savings, as noted by Sir David Varney in his report on *Service Transformation*:

“The taxpayer can benefit too. The Gershon Review identified £21.5 billion of efficiency savings to be released by 2007-08, primarily through improved procurement, shared corporate office services and business process redesign. While there remain significant opportunities to release further savings in these areas over the 2007 CSR years and beyond, there are also opportunities to join up front-line, first-contact service delivery around the needs of the citizen and business. This will release further savings through the reduction of duplication in front-line service delivery. Over the longer term these benefits will also be felt in the back office that supports these front-line contacts, as there are likely to be major opportunities for sharing and rationalisation.”

The DWP commented in its memorandum:

“There are also financial advantages to simplification in improved efficiency, reductions in customer and staff error, fewer complaints and fewer appeals.”⁴⁴

⁴⁰ Q 24

⁴¹ Q 81

⁴² Q 82

⁴³ Q 92. See also Ev 105.

⁴⁴ Ev 110, para 3.2

35. Secondly, the DWP has – rightly – prioritised the reduction of child poverty, with an ambitious objective to eradicate child poverty by 2020, and halve the number of children in relative low-income households between 1998-99 and 2010-11.⁴⁵ But it is vulnerable people, often furthest from the labour market, who have the most complex needs and therefore are most likely to be affected by the labyrinthine nature of the system. As Sir David Varney observed: “It is often the most vulnerable citizens who have to do the most joining up between the public service islands and much of it could be avoided.”⁴⁶

36. Concentrating on the benefits system, the NAO concluded that the risk of complexity impacting on the customer increased with:

- “Regular interaction with agency
- “More than one benefit claimed
- “Multiple agencies handling claims
- “Requirement to support changes
- “High evidence requirements
- “Complex personal circumstances.”⁴⁷

Case studies: “A client at a CAB local to us came in. He had serious mental health problems and he came in because of debt problems that were exacerbating his mental health problems. When the debt worker looked at his benefits, they found that he had been on Incapacity Benefit for some time. He has an age addition and so, when he had applied for Incapacity Benefit, he was quite rightly told that he was not entitled to Income Support because his income was higher than the Income Support level. He had understood that. His community psychiatric nurse suggested last September that he applied for DLA and helped him complete the DLA form. DLA was awarded and backdated. Nobody told him about Income Support. How could he possibly be expected to know that, because the system had given him more money in the form of DLA, he was now entitled to a means-tested benefit that he had not been entitled to before? Customers cannot possibly understand that degree of complexity.”⁴⁸

“Single parent, cares for two disabled teenage boys, aged 18 and 19, both with learning difficulties. She is the appointee for them and gets Carers Allowance and Income Support (IS). The boys get DLA and Incapacity Benefit (IBY). When the sons had been on IB(Y) for 28 weeks, they went on to the short term higher rate of £70.05pw, which was 5p pw more than the £70.00 pw IS level. As they were floated off IS, they both counted as non-dependants for Housing Benefit (HB), and client’s HB claim attracted two non-dependant deductions. The sons gained 10p p.w. IB(Y)

⁴⁵ DWP, *Departmental Annual Report 2007*, Figure 1: Summary of performance towards all PSA targets

⁴⁶ HM Treasury, *Service transformation: a better service for citizens and businesses, a better deal for the taxpayer*, Sir David Varney, December 2006

⁴⁷ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, Figure 3

⁴⁸ Q 3 [Sue Royston]

and the client lost £14.80 pw on HB. Our intervention managed to get client a Discretionary Housing Payment from the LA, but this is not a right, is difficult to get and needs to be reclaimed periodically.”⁴⁹

“Clients are a disabled pensioner and their partner. They each have a full retirement pension. With the small occupational pensions that they have, they are just above the threshold for getting Pension Credit but they get partial help with rent and council tax. The disabled person claims Attendance Allowance which is successfully awarded.

The carer is then told about Carer’s Allowance and makes a claim. It then has to be explained to the carer that they will get a letter disallowing their claim, as their retirement pension is higher than the Carer’s Allowance. Armed with that letter, they then have to reapply for Pension Credit and may now qualify because of the inclusion of a carer premium in the calculation. If Pension Credit is awarded, they will get additional Housing and Council Tax Benefit. If Pension Credit is not awarded, the carer should still get some additional Housing Benefit and Council Tax Benefit on application.

It is almost impossible to explain this sequence of events to a lay person. Advisers are telling them that, if their income goes up, by virtue of the attendance allowance, they have to claim an additional benefit that we know in advance they will not get, in order to get fresh or higher entitlement to other benefits that were previously refused or reduced because their income was too high!”⁵⁰

Rationalisation of means-testing in the benefits system

37. In Britain, means-tested benefits account for over a third of all social security benefits spending, and over half for people of working age.⁵¹ Means-tested benefits are based on assessing the needs of the family unit – parents and dependent children – and not on any individual assessment of need.

38. The main purpose of the means-test is to improve the financial situation of the poorest in society by allowing money to be targeted at those who need it most. Means-testing offers a more economical approach to welfare than would a purely universal system, particularly in reducing the burden on the taxpayer. However, despite its merits in targeting money at those who are most vulnerable, we were told that means-testing is responsible for a considerable amount of complexity.

39. The Institute for Fiscal Studies (IFS) Green Budget takes an annual look at the tax and spending choices open to the Government before the official Budget. In 2006, the IFS argued that “traditional means-tested benefits are seen as unacceptably complicated and stigmatising,”⁵²

⁴⁹ Ev 105, para 4.1 [Hertfordshire County Council Money Advice Unit]

⁵⁰ Ev 106, para 6.3 [Hertfordshire County Council Money Advice Unit]

⁵¹ DWP, *Departmental Annual Report 2007*, Cm 7105, May 2007, Annex A, p 28

⁵² Institute for Fiscal Studies, *The Green Budget*, Chapter 7 Tax Credits: fixed or beyond repair, 2006

40. Sue Royston suggested that there was substantial consensus:

“There was quite wide agreement, certainly in the evidence I have seen for example, that means-testing, including joint assessment and the declaration of changes in circumstances and income, is quite a key element in complexity. Of course, that is more about excluding people and targeting on fewer people than it is about meeting a huge range of complex needs.”⁵³

41. This reflects the answers of Fran Bennett and Donald Hirsch, who unanimously agreed that the amount of means-testing in the benefits system should be reduced.⁵⁴

42. Whilst means-testing is effective in controlling the cost of the benefits system, the need to claim one’s entitlement and then meet an income/assets test may deter some low-income households from taking up their entitlements. For example, it is estimated that around half of pensioners living in private households in Great Britain are eligible for means-tested benefits. Of those entitled to Savings Credit, only 43 to 50 per cent are estimated to be claiming.⁵⁵

Means-testing of pension age benefits

43. Some efforts have been made by the Department to reduce levels of means-testing, particularly for pensioners. The Pensions Bill aims to fulfil the Government’s ambition to reduce means-testing so that personal savings can be demonstrated as worthwhile. The Government expects that raising the Basic State Pension in line with earnings will preserve its value and reduce the number of people on means-tested Pension Credit to 30% by 2050 compared to 70% without reform. The strategy aims to encourage people without a pension to save.⁵⁶

44. The Pensions Policy Institute (PPI) informed us that it will investigate the impact of means-tested benefits on savings behaviour in the context of the Government’s introduction of auto-enrolment into Personal Accounts⁵⁷ but in the meantime, PPI expressed its disappointment that:

“even after the current proposals in the Pensions Bill come into force the problem of complexity in the state pension and the uncertainty that it generates will remain.”⁵⁸

Interaction between means-tested benefits, universal benefits and contribution-based benefits

45. We were told that complexity caused by means-testing extends further than just pension-age benefits. Its impact is compounded by the way it relates to other benefits,

⁵³ Q 2

⁵⁴ Q 80

⁵⁵ HC Deb, 27 November 2006, col 811

⁵⁶ See the Committee’s Fourth Report of Session 2005-2006, *Pension Reform*, HC 1068

⁵⁷ Ev 181, para 8

⁵⁸ Ev 181, para 7

namely universal and contribution-based financial assistance. Paul Treloar from Disability Alliance suggested that more universality could resolve some of these problems:

“I think that is where with means-tested benefits the problems arise, because they look to exclude people from entitlement, and the interactions between means-tested benefits, universal benefits and contribution-based benefits ... If there were more universality within the benefits system, trying to include people, and, as I said earlier on, the DWP looking to identify entitlements rather than relying on people to identify those entitlements themselves, you could make some gains but that requires the political will.”⁵⁹

46. Other witnesses also claimed there was too much means-testing in the current system. Fran Bennett suggested:

“The number of people who will need that very resource-intensive expert help would be enormously reduced if you had, for example, less means testing, less joint assessment, and therefore fewer changes of circumstance to report.”⁶⁰

47. The Joseph Rowntree Foundation commented:

“There is wide consensus that a growth in means-testing has made it harder for the benefits system to do its job well. This is partly because of stigma, partly because of complexity introduced by the testing of means and partly because of potential disincentives to earn or to save.”⁶¹

48. As alternatives to means-testing the Joseph Rowntree Foundation proposed that the Government should channel resources into universal benefits whose claimants are more likely than average to be poor. As example of this was child benefit for larger families.”⁶²

49. We questioned the Minister on the feasibility of reducing the amount of means-testing in the benefits system. However, it remains unclear following the discussion whether the Government are interested in pursuing such reform.⁶³ The Minister told us:

“We are always looking at the extent of means-testing, whether things can be done to mitigate it; and, as you will know, from the reforms we have announced to the State Pensions system, those are very much targeted as addressing an issue of means-testing in the system. If you are going to have benefits which are targeted, as opposed to universal, there is going to be an element of means-testing; that follows.”⁶⁴

⁵⁹ Q 120

⁶⁰ Q 35

⁶¹ Ev 158, para 23

⁶² Ev 158, para 24

⁶³ See Q 325 to Q 328

⁶⁴ Q 325

50. Other organisations highlighted potential difficulties with removing means-testing and developing a universal benefits system. Whilst Disability Alliance’s Paul Treloar accepted the complexity that means-testing can create, he commented:

“Universal benefits such as child benefit show very high rates of take-up but the corollary of this approach is that assistance cannot be targeted beyond certain basic criteria e.g. having a child. It takes no account of need.”⁶⁵

51. We appreciate the value of means-tested elements of the benefits system that target assistance at those people most in need of financial support. Having said that, evidence to this inquiry suggested that there is a direct correlation between the amount of means-testing and the complexity in the system. We recommend that the Government specifically evaluates the current caseload of means-testing in the system as part of its simplification efforts and where possible, reduces it. We particularly consider that, in order to achieve simplification, priority should be given to alignment of rules for different benefit eligibility.

The contributory principle

52. The contributory principle has been a part of the benefits system since the 1940’s Beveridge reforms. Beveridge’s plan was for a comprehensive scheme, based on flat-rate contributions which would lead to a flat-rate benefit that would *insure* against unemployment, sickness and old age. As a work-based system, if a person was in work they paid the ‘stamp’ so that should they lose their job, they would receive the social security payment. Beveridge’s flat rate system was abolished in the 1960s and today, National Insurance Contributions are based on a percentage of earnings above a threshold.⁶⁶

53. Research has mapped the evolution of the contributory principle and there is agreement amongst commentators that there has been a decline in its impact:

“What we have is in fact a very weak contributory principle: benefits *mainly* depend on the fact of having made contributions, *but* people can receive ‘contributory benefits’ without having made contributions, and can be ruled out of entitlement despite having made contributions.”⁶⁷

54. Nonetheless, there is public support for the contributory system.⁶⁸ During the evidence session, the Minister acknowledged this as a key reason for retaining it:

“One of the established reasons why we have a contributory principle to the benefits system is it is part of a contract, I think, implicit, is it not, between the citizen and the state; the record of contribution leads to an entitlement. I think it is part of the

⁶⁵ Ev 178, para 16

⁶⁶ For a more detailed account of Beveridge see Glennerster et al (2004), *One hundred years of poverty and policy*, Joseph Rowntree Foundation

⁶⁷ Hills, J (2004), *Heading for Retirement? National Insurance, State Pensions, and the Future of the Contributory Principle in the UK*. Cambridge University Press

⁶⁸ As above

principle of some parts of the welfare system and I do not think there is a plan to move away from that.”⁶⁹

55. We accept that the contributory principle is valued by many as a contract between the state and the individual and reflects the Government’s rights and responsibilities agenda. However, the contributory principle adds an additional layer to the current system and research suggests it is no longer as relevant to the benefits system as it once was. We therefore recommend that the Government reviews whether or not the contributory principle remains a relevant part of the modern benefit structure.

Responding to the challenge of complexity

56. The existing system, with its benefits paid according to different principles and rules, is clearly complex and in need of change. We believe that measures to simplify the benefits system could, if done sympathetically and systematically, contribute to the Department’s wider objectives, and improve the lives of millions of claimants. The Government should be taking as its starting point a review of:

- **Whether all existing benefits are necessary;**
- **Whether some benefits could be merged;**
- **The interaction between benefits and how the qualifying arrangements differ; and**
- **The overall purpose of the benefits system.**

We assess progress in the next section of this report.

⁶⁹ Q 323

2 DWP progress so far

Simplification: a “real priority”?

57. When Leigh Lewis, Permanent Secretary of the DWP, gave evidence to the Public Accounts Committee in December 2005, he repeatedly stated that simplification was a key priority both for him and the Department as a whole:

“I have already made clear in a very brief time in the Department that I think we have to be more ambitious on this, so we have the Minister in charge of the Department and its Permanent Secretary both believing that we need to be more ambitious”⁷⁰

“I do want to see that we give real priority to the simplification agenda”⁷¹

“I think we have a very clear simplification ambition. We have made some genuine headway in that and I can certainly say to you that I want to go further and deeper.”⁷²

58. This echoed comments by the then Secretary of State, the Rt Hon John Hutton MP, shortly after his appointment in November 2005:

“Am I content with the current situation? No. I do not think anyone is. I think we need to continue to explore ways of simplifying the benefit system but also, at the same time, not opening up other opportunities for abuse and misdirection of resources. They are two very difficult horses to ride.”⁷³

59. The Minister described simplification as “pretty central” to DWP priorities,⁷⁴ and told us that there was “continuous dialogue” between the Department and other interested bodies.⁷⁵

60. But simplification, as the NAO report put it, “is not an easy option. Radical reform is a rare, costly, time-consuming, and potentially controversial act. Even when such reform is agreed, the process from consultation through to changes in primary legislation may take several years.” It added “thus, simplification requires consideration of trade offs, including between:

- anticipated increased administrative efficiency (which may not be delivered) and savings and increased programme expenditure (which is more predictable);
- a simple, non-intrusive application process and the need to avoid increased susceptibility to fraud;

⁷⁰ Committee of Public Accounts, Thirty-sixth Report of Session 2005-06, *Tackling the complexity of the benefits system* HC 765, Q 18

⁷¹ As above, Q 30

⁷² As above, Q 112

⁷³ Oral Evidence taken by the Work and Pensions Committee on 23 November 2005, HC 615, Q 5

⁷⁴ Q 286

⁷⁵ Q 327

- the needs and rights of benefit customers and the wider responsibilities to other taxpayers and considerations about the impact on the economy; and
- tailoring the system to meet a wide range of circumstances and the desirability of a relatively simple set of rules.”⁷⁶

61. With these potential barriers and trade-offs, we were interested to see whether DWP’s actions to date had kept pace with its ambitious objectives.

The Benefit Simplification Unit (BSU)

The development of the BSU

62. During the Public Accounts Committee evidence session, Leigh Lewis announced that he had decided to set up a dedicated Benefit Simplification Team within the Benefit Reform Division of the Department. This was to be “a counterweight to all of the tendencies which otherwise tend to drive increasing complexity”.⁷⁷ The team was to report directly to the Director General for Work, Welfare and Equality and to a junior minister (in the event, it reports to the Parliamentary Under Secretary (Commons), James Plaskitt MP).

63. An answer to a Parliamentary question in June 2006 said that the Benefit Simplification Unit was to have five full-time staff, with additional input from senior officials. Gross costs for 2006-07 were estimated at £290,000.⁷⁸ The DWP confirmed to us that the Unit currently has a complement of four staff: one Senior Executive Officer and three Higher Executive Officers. It is supported by “some additional input” from a Senior Civil Servant and a Grade 7.⁷⁹ Responding to questions about the apparently small size of the Unit in February 2006, Leigh Lewis said: “If you have a very small team and you give them a very, very clear remit, a bit of scope and flexibility...then very small units can sometimes deliver you surprisingly large benefits.”⁸⁰ Christine Dawes, a Pension Service Operational Manager, referred to it as a “catalyst”.⁸¹

64. The DWP memorandum reported that, in its first year, the Unit produced a Simplification Guide to Best Practice and a Progress Report. New requirements have been placed on staff to refer:

“all submissions and scoping papers that recommend policy or operational changes to benefits ... to the Unit before they are submitted to Ministers. Staff are required to

⁷⁶ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, Executive Summary, para 5

⁷⁷ Committee of Public Accounts, Thirty-sixth Report of Session 2005-06, *Tackling the complexity of the benefits system*, HC 765, Q 5

⁷⁸ HC Deb, 5 June 2006, col 1W

⁷⁹ Ev 239. The memorandum adds “The five staff mentioned in the June 2006 PQ included the secondee from Citizens Advice.”

⁸⁰ Oral Evidence taken by the Work and Pensions Committee, *The Department’s Autumn Performance Report 2005*, HC 895, Q 54

⁸¹ Q 265

include a specific section in all submissions detailing the impact of the change on benefit complexity and, if the proposal will lead to increased complexity, a clear explanation as to why this particular option is being recommended. Where the Unit believes that the explanation provides insufficient justification its view will be recorded. In addition all DWP projects must now show in their Strategic Outline Business Cases how they have maximised the opportunity for simplification.”⁸²

65. Initially submissions related to pensions were excluded,⁸³ but a revised version of the Guide produced in May 2007 announced a change in policy:

“We have [...] decided to extend [these requirements] to include submissions proposing changes to State Pension and State Pension Credit. Including these benefits in the vetting procedures will allow us to share experience of simplifying and spread good practice across the Department.”⁸⁴

66. We welcome this development, as we received a submission from Housing 21 criticising the lack of focus to date on older people,⁸⁵ and a memorandum from Help the Aged emphasising the impact of complexity on older people.⁸⁶

67. A number of ‘simplification measures’ were announced in the 2007 Budget, mainly relating to the “alignment” of different benefits, seeking to ensure that different benefits have consistent administrative requirements. The specific measures included: changing the treatment of earnings paid on the termination of employment; paying all Jobcentre Plus working age benefits a minimum of two weekly in arrears on a common pay day; removing the double dating provision for Disability Living Allowance and Attendance Allowance; and aligning the treatment of income from sub-tenants across the benefits system by introducing a flat rate £20 disregard from April 2008 to mirror the disregard in State Pension Credit and pension age Housing Benefit and Council Tax Benefit.⁸⁷

68. The DWP’s memorandum described these measures as a “very major set of simplification changes” and referred to them as an example of the “real results” of the fact that “simplification is now receiving greater prominence in all DWP policy and delivery decisions and the Department is devoting more resource and attention to this issue than for many years.”⁸⁸

69. Sue Royston from Citizens Advice, who was seconded to the Unit for nine months to write a report on the complexity of the benefits system from the claimant’s perspective, commented on the work done so far: “I think that there is enormous progress being made on simplification in some ways ... [in particular] the change in capital rules on Income Support and Jobseeker’s Allowance”.⁸⁹ However, she expressed concern about other

⁸² Ev 111, para 4.3

⁸³ Ev 111, para 4.3

⁸⁴ DWP, *Simplification Guide to Best practice*, Benefit Simplification Unit, Revised Edition, May 2007, foreword

⁸⁵ Ev 160, para 3.1.3

⁸⁶ Ev 169, para 2

⁸⁷ Ev 124

⁸⁸ Ev 108, paras 5 and 6

⁸⁹ Q 9

elements of the Budget package, namely moving to fortnightly paydays (because of the impact on claimants' budgeting arrangements) and the changes to Attendance Allowance and Disability Allowance backdating.⁹⁰ Steve Devereux of Jobcentre Plus, and Jobcentre Plus staff we met in Doncaster, particularly welcomed the final earnings measure.⁹¹

Assessment of performance of the BSU

70. Following on from her comment about “enormous progress”, Sue Royston added:

“If you are looking at the mountain they have to climb, then they have not got up the mountain by any means! I do think that alignment is important; but, in terms of the overall system, I do not think that they are anywhere near there yet.”⁹²

71. Fran Bennett, of the University of Oxford, questioned the ability of the BSU to have significant influence, commenting that “policy simplification probably has to be done at a different level from the Simplification Unit.”⁹³ This was echoed by Anna Pearson from Help the Aged:

“I think it is profoundly disappointing actually. It has been nibbling at the edges. The Unit has no teeth and because it was not allowed to look at things properly and actually tasked with looking at, say, the Disability and Carers Service, doing recommendations, it has had limited strength”.⁹⁴

And Janet Allbeson from One Parent Families:

“I think the Simplification Unit has barely scratched the surface, to really bear down on an analysis of the system from the claimant's perspective and to then feed that back into what would work, what changes are needed, and a more incremental process.”⁹⁵

An over-arching strategy?

72. The DWP's memorandum concedes that “we know that more needs to be done in the medium and long term.”⁹⁶ Sue Royston described the fact that the Department operated in silos as making the process of simplification much more difficult:

“the expertise in the Department is very much in the separate benefits and, if they are going to simplify the system, there needs to be more expertise that is spread across the system.”⁹⁷

⁹⁰ Q 17

⁹¹ Q 232

⁹² Q 17

⁹³ Q 13

⁹⁴ Q 109

⁹⁵ Q 138

⁹⁶ Ev 108, para 7

⁹⁷ Q 9

She added that the Unit was “hidebound by the fact that they are working with people who are working in individual benefits,”⁹⁸ and continued that this lack of holistic thinking also existed across government departments:

“There are even fewer people who are aware of all the benefits the customer is looking at - Tax Credits, health costs, free school meals etc. Once you get cross-departments, there is even less expertise within DWP about those separate units.”⁹⁹

73. These points about co-ordination were echoed by Paul Treloar of Disability Alliance, who spoke about the “absence of any high-level strategy”¹⁰⁰, PCS, who argued for a “root and branch review”¹⁰¹ and Janet Allbeson of One Parent Families, who described the challenge facing the Government:

“One of the things that is very rarely done is to think really comprehensively both on a policy level right through to implementation level about the interactions between all of this. ... It is very complicated; it is like three-dimensional chess and at the moment just within the Department. But it is not just the Department; it is HMRC as well, and Child Support – where big IT systems are being developed, lots of people are developing very grand ideas, but there is no attempt to really engage with this very complex bit. It is the policy level, but it is also right down to delivery.”¹⁰²

74. One Parent Families urged the Department “to ‘map’ on an ongoing basis the problems to which complexities give rise and why they occur.”¹⁰³

75. We were also interested to note that while the Simplification Guide does mention holding regular “spring cleans .. if particular policy rules or business processes no longer make sense, get rid of them” this is only to be done “if resources permit” – the only time this caveat is applied.¹⁰⁴ Community Links picked up this point, commenting that the BSU had:

“a remit for only looking at simplifying current or future benefits legislation, rather than the mountain of rules and regulations which have built up over the previous 60 years and cause the bulk of complexity.”¹⁰⁵

76. The Minister defended what the Unit had achieved, rejecting the notion that it had no teeth.¹⁰⁶ He described many of the recent incremental changes as being due to “the outcome, the consequence, of having the Simplification Unit in the Department”,¹⁰⁷ and

⁹⁸ Q 13

⁹⁹ Q 12

¹⁰⁰ Q 107

¹⁰¹ Q 270

¹⁰² Q 137

¹⁰³ Ev 142, para 24

¹⁰⁴ DWP, *Simplification Guide to Best practice*, Benefit Simplification Unit, Revised Edition, May 2007, p 9

¹⁰⁵ Ev 201, para 3

¹⁰⁶ Q 288

¹⁰⁷ Q 289

drew attention to the fact that it had blocked over 30 measures which would have introduced additional complexity.¹⁰⁸ He added:

“I would not describe what we are doing as ‘tinkering’ and I would not say that we are without an overall vision ... We are retooling the merry-go-round while it is going round and round and we cannot stop it, and we should not, because that would not help our customers ... I think, if you track back and say, ‘Well, how are we getting on?’ and you look back five, ten, 15 years in the system, it is transformed radically from where it was, all that length of time ago.”¹⁰⁹

77. He outlined the objective of achieving a “coherent family of benefits”.¹¹⁰ When asked for an overall goal, or an over-arching strategy or vision, he replied “I am not sure that we are going to reach the end of the journey because I think it is ongoing.”¹¹¹ And when asked for a sketch of where the DWP was heading he said “I think we have done that.”¹¹² He concluded:

“I am not saying anything which has not been said before by Ministers in the Department and I think it has been said repeatedly. We said things like this when we issued the Welfare Reform Green Paper; two years ago now, I think, we said this. We will be following that up in our response to the Freud review shortly; we will be building on what we said in the Green Paper in that respect. We have said these things, I have said them, we publish them, and I think, if you look at all of them together, you can see a view of what we think constitutes achieving more simplification and less complexity in this benefits system.”¹¹³

78. We, however, saw evidence of a lack of joined-up thinking across DWP in the fact that different DWP Ministers were responsible for the intertwined aspects of better regulation, benefits simplification and welfare reform. When we raised this specific point with the Minister he told us that “all of us are simplification Ministers, in that sense, and we are all committed to trying to achieve simplification.”¹¹⁴

79. We conclude that there is a lack of vision and drive within DWP and across Government to simplify the benefits system, and we share the reservations of a number of witnesses about what the Benefit Simplification Unit can achieve under its current structure. We commend the role it is playing preventing further complexity being introduced into the system, but this is a very long way from having a plan to systematically introduce simplification, and from the DWP Permanent Secretary’s “very clear simplification ambition.” The fact that the BSU’s Simplification Guide imposes a unique condition, “if resources permit”, on “spring cleans” of particular rules or processes is disappointing, but indicative.

¹⁰⁸ Q 288

¹⁰⁹ Q 371

¹¹⁰ Q 306

¹¹¹ Q 304

¹¹² Q 305

¹¹³ Q 308

¹¹⁴ Q 302

80. Our predecessor Committee recommended in 2004 that “the Department establishes a high level working group chaired by Ministers, comprising IT suppliers, social policy experts and other relevant parties, including representatives of client groups and front-line staff, to make recommendations on how policies can be simplified.” We believe that this recommendation retains considerable merit.

Interaction with operational staff

81. We also have concerns, which we raised with the Minister, about the fact that the BSU’s activity seems to be squarely targeted at policy staff. The latest version of the Simplification Guide, for example, states:

“This guide is intended for anyone responsible for designing or implementing a change to the benefits system. It sets out the ways in which complexity can occur and provides advice on how to avoid them. Staff should refer to this guide as their first point of reference when considering any benefit changes and confirm that its advice has been followed when submitting a recommendation for change to Ministers.”¹¹⁵

82. There is, therefore, something of a ‘gap’ between the Unit and operational staff. During the Committee’s evidence session in Leeds, the Committee asked Steve Devereux, Manager of a Jobcentre Plus Benefits Delivery Centre, how much he knew about the work of the BSU. He replied “You asked me how aware I am. I am aware that they have a website. I have read their guide which was produced last year, the latest version of it, and from within my own Benefit Delivery Centre we have made a submission and one of the areas that the submission contained was around final wages, which was announced in the Budget as a change”.¹¹⁶

83. However, when asked about the potential to influence changes aimed at simplification on a day to day basis, while Mr Devereux commended his Director as “very accommodating and ... actively looking for areas we should be challenging”¹¹⁷ he was generally less optimistic:

John Penrose: And when you escalate something how difficult is it to get an approval [on making operational changes to aid simplification] either within a short amount of time or ever?

Mr Devereux: I think we are probably talking here about ever rather than a short amount of time.”¹¹⁸

84. We questioned the Minister and Brendan O’Gorman, Director of the Benefit Reform Division, DWP, and Head of the BSU about this, and the Minister was confident that staff did “have the opportunity to input”.¹¹⁹ He added:

¹¹⁵ DWP, *Simplification Guide to Best practice*, Benefit Simplification Unit, Revised Edition, May 2007, p 3

¹¹⁶ Q 232

¹¹⁷ Q 231

¹¹⁸ Q 256

¹¹⁹ Q 290

“there is an intranet, which any member of staff in the Department can access. It takes about 2,000 hits a month from staff, which suggests that there is pretty wide awareness of it, and at certain points, I think when we issued the Simplification Guide, which got substantial publicity within the Department, the number of hits in that month rocketed, way up.”¹²⁰

85. When asked how many ideas had come from staff, Brendan O’Gorman replied “You will appreciate that sometimes the same idea comes forward from a number of people, that the same area is touched on, but I would think that currently we are logging over 300 ideas areas which have potential for simplification.”¹²¹ He added:

“I am not too worried that not every member of staff in the huge organisations that we have knows about the Benefit Simplification Unit ... I am confident that all the agencies which operate on benefits know us very well, I am confident that we work very closely with them and also we get out and about and talk to staff in the field. If we organise a workshop for 40 people, drawn from various regions and Jobcentre Plus, perhaps some of those 40 people have friends who know about this, they are representative, they will give us the daily problems and ideas which they are encountering, and I am pretty confident that we are getting quite a good feel from the field of where the shoe is pinching.”¹²²

86. Engaging the expertise of front-line staff should be a high priority for the Benefit Simplification Unit. There needs to be a proactive policy of gathering ideas and then acting on them to change processes.

The Lean Pathfinders

87. The DWP’s memorandum explained that three pilot projects to investigate ways in which the processes for applying for and receiving benefits could be improved were underway, known as the ‘Lean Pathfinders’:

“Three Pathfinders have been identified to test out a continuous improvement approach. The three Pathfinders, in order of implementation are:

- Carers Allowance Unit in Disability and Carers Service
- Jobcentre Plus North East, focusing on the Jobseeker’s Allowance New Claims process
- Jobcentre Plus and Disability and Carers Service focusing on Incapacity Benefit and Disability Living Allowance claims.”¹²³

¹²⁰ Q 290

¹²¹ Q 292

¹²² Q 292

¹²³ Ev 118, para 4.56

88. The Jobseeker's Allowance and Incapacity Benefit and Disability Living Allowance Pathfinders were expected to last up to 10 weeks and the Pathfinder phase for all three ended around April 2007.¹²⁴

89. The DWP continued that "All three pathfinders have adopted a Lean approach and have used some of the Lean Tools. Lean is a management system used for years in manufacturing companies and also more recently in service companies and Government. It has three main components: lean processes, which are efficient and very customer focussed; a culture that puts customers first and encourages everyone to work continually to improve how we operate; and a management infrastructure that supports the Lean culture and processes."¹²⁵

90. We were particularly interested in these projects and during our visit to Leeds we met with staff involved in all three Pathfinders, as well as those overseeing the programmes. DWP staff told us that as a result of the pilots improvements had been introduced which had cut processing times and made the flow of information more efficient. The evaluation report for the pathfinders for Carers Allowance, Jobseeker's Allowance and Incapacity Benefit/ Disability Living Allowance is due to be produced in July.¹²⁶

91. We are impressed with what we heard in Leeds, and asked the Minister and Brendan O'Gorman how the lessons learned were being shared, and whether the projects would be extended nationwide. The Minister confirmed that the DWP was "looking to extend those principles ... I think there is a lot of potential to deploy those techniques more widely across the system."¹²⁷ He added:

"the whole Lean process is designed to respond very much to what we get from customer feedback and from staff feedback and is designed to produce a process which is simpler to administer as well as easier for customers who are making the claims".¹²⁸

92. A supplementary memorandum from DWP gave further detail on the next stages of the Lean programme:¹²⁹

"The next tranche of Continuous Improvement using Lean techniques are due to commence from July onwards and will cover the following subject areas and locations:

Social Fund - Chesterfield Benefit Delivery Centre

Change of Circumstances and Reviews and Triggers including links to Debt Management - Wrexham Benefit Delivery Centre

¹²⁴ Ev 118, para 4.56

¹²⁵ Ev 118, para 4.57

¹²⁶ Ev 232

¹²⁷ Q 365

¹²⁸ Q 366

¹²⁹ Ev 232

New Claims. A review of the end-to-end process for all new Jobseeker's Allowance, Incapacity Benefit and Income Support claims building on the Jobseeker's Allowance pathfinder experience in Newcastle

Work Focused Interviews/Fortnightly Job Reviews: London

Disability and Carers Service: Disability Living Allowance/Attendance Allowance Customer Acquisition - Cardiff Disability Benefit Centre

Disability and Carers Service: Disability Living Allowance/Attendance Allowance Managing through to outcomes – Disability Carers Processing Unit at Warbreck Hill, Blackpool.”

93. However, when we asked to what extent Lean involved customers, we received an ambiguous answer:

“Customers are absolutely central to what the Department is doing. The Department has drawn on its extensive Customer Insight in developing its commitment to improving customer experience. The Department is putting its customers' needs at the very centre of what it does by using the experiences of customers and delivery staff to identify and test solutions and improvements.”¹³⁰

94. We welcome the DWP's decision to roll out the Lean Pathfinders more widely. We ask DWP to report progress to us, including how the emerging best practice from these Pathfinders will be rolled out nationwide, and how lessons will be learned across different benefits. We also ask DWP to consider greater formal claimant participation in these projects, for example through the work of Jobcentre Plus External Relations Managers and local liaison groups.

A measure of complexity?

95. In its inquiry into *Tackling the complexity of the benefits system*, the Public Accounts Committee recommended that the Department developed a means of measuring levels of complexity:

“The Department is committed to reporting annually on progress in tackling complexity, but there are no ways of measuring it objectively [...] The measure of complexity needs to be easy to understand, and it might take account of the length of regulations, and the extent to which regulation is connected to others.”¹³¹

96. The Government's response was that “because of the difficulties with developing such a measure, the Department cannot commit at this stage to producing one by 2007, but undertakes to keep the Committee informed of developments with regard to this recommendation.”¹³²

¹³⁰ Ev 232

¹³¹ Committee of Public Accounts, Thirty-Sixth Report of Session 2005-06, *Tackling the complexity of the benefits system*, HC 765, recommendation 7

¹³² HM Treasury, Treasury Minutes on the Thirty-fourth and Thirty-sixth to Thirty-ninth Reports from the Committee of Public Accounts 2005-06, June 2006, Cm 6863, para 17

97. Fran Bennett, University of Oxford, and Mike Brewer, Institute for Fiscal Studies, suggested that complexity and measures to simplify the benefit system should be assessed in terms of the ‘costs of compliance’ for claimants. While Fran Bennett conceded that “I am not suggesting that it is easy” she drew comparisons with the Regulatory Impact Assessments prepared for business, saying “the Government should have as much commitment towards doing that kind of calculation [as it does to doing RIAs].”¹³³

98. When asked whether the Department was any closer to establishing a measure of complexity, the Minister replied “No”,¹³⁴ continuing:¹³⁵

“standing back and trying to do almost a sort of abstract definition of what complexity is, in itself is very, very complex and might not contribute anything to the process of achieving simplification.”

99. However, a memorandum submitted by DWP stated that one of the Benefit Simplification Unit’s priorities over the next year will be “to conclude the study of the scope for producing a complexity index.”¹³⁶

100. We ask the DWP to clarify whether it is planning to conclude its study of the scope for producing a complexity index. If so, the suggestions on measuring ‘costs of compliance’ made by Fran Bennett (University of Oxford) and Mike Brewer (Institute for Fiscal Studies) should be part of that study, if not, DWP should explain why. Our view is that, given the high levels of complexity and the limited progress made so far, running programmes to reduce complexity should be a higher priority for Government.

Availability of information about the Unit’s work

101. Although the Unit has produced two editions of its Simplification Guide (which is available on the DWP website) not all of its work is in the public domain.

102. Firstly, the DWP made the decision not to publish the report prepared by Sue Royston following her secondment to the BSU, although we received a copy of it for our use. Citizens Advice had told us that it looked “forward to the publication by DWP of this report and details of how the proposals contained in it are to be taken forward.”¹³⁷

103. The key recommendations of the Royston report included:

“A full benefit check to be offered to all customers when they apply for a benefit

“An improved application process putting people trained in benefits at the front of the process and combining the benefit check with the taking of the primary claims

¹³³ Q 4

¹³⁴ Q 298

¹³⁵ Q 299

¹³⁶ Ev 133

¹³⁷ Ev 211, para 6

and the sharing of information with departments responsible for other identified claims

“An entitlement record for all customers ... this would show all the benefits the customer has been awarded and the information ... on which the awards are based

“A new application process for disability benefits for children to give greater clarity about entitlement

“Addressing the problems of “making work pay”, including having one department responsible for helping with childcare costs; and ensuring that customers only have to report to one department regarding changes in circumstances

“Address problems caused to customers by interaction between benefits

“Align benefits where possible and implement other rule changes where complexity can’t be masked.”¹³⁸

104. The Minister told us that the reason the paper had not been published was that it was an “internal document”.¹³⁹ However, he stressed that he had “very much welcomed”¹⁴⁰ the report and added:

“A very large proportion of those recommendations I think you will find we will be taking up; work is in progress on some, and already some are relatively short-term things I think we can do, some are much longer term.”¹⁴¹

105. We are surprised by the decision of DWP not to publish the report prepared by Sue Royston, who was seconded from Citizens Advice to the BSU for nine months, or even to place the report on its website, as this was an extensive piece of work which drew contributions from external organisations, involved liaison and the involvement of claimants and their advocates, and is likely to result, from the comments of the Minister, in some significant changes to the system. We ask DWP to reconsider this decision.

106. Secondly, the DWP’s senior management team receive quarterly reports on changes to the benefits system and their effect on complexity.¹⁴² We asked for an example of one of these, as we thought that it was important to see the level of detail they contained. We were told:

¹³⁸ Note by DWP: Extract from an internal paper on benefit simplification and the customer written by Sue Royston who was seconded to the Department’s benefit simplification unit from the Citizens’ Advice Bureaux (June 2006 to March 2007) to help give the Department a better perception of what the system feels like to customers at the front end. Sue was given a wide remit to consider all aspects of the system and put forward views.

¹³⁹ Q 296

¹⁴⁰ Q 297

¹⁴¹ Q 297

¹⁴² Royston (2007) *Benefits Simplification and the Customer, Independent report to DWP*

“These are internal reports which include details of work in progress and discussion of various options that would lead to advice to Ministers on the way forward. As such it would not be appropriate to share this with the Committee.”¹⁴³

107. Thirdly, John Robertshaw of Housing 21 noted that the Benefit Simplification Unit progress report was not widely available to all with an interest:

“Even though this report was released on 24 January 2007 it has only been deposited in the House of Commons Library and this means it is not available online and as the Library is not open to the public it is difficult and frustrating for the general public and advisers to ascertain exactly what progress has been made.”¹⁴⁴

We have published the progress report with the evidence we received for this inquiry.¹⁴⁵

108. We were refused access to the quarterly reports on complexity that are given to the DWP management team. We are disappointed at the DWP’s decision, and press again for these documents to be submitted to us for scrutiny, if necessary on a confidential basis. We also press the DWP to ensure that BSU progress reports are placed on its website, in order to give the Unit a higher external profile.

Efficiency savings

109. The DWP memorandum set out the changes it has been making to its business processes in the context of the efficiency savings programme:

“The Pensions Transformation Programme has fundamentally changed the claims process for State Pension and State Pension Credit. Applications for State Pension and State Pension Credit are much quicker and more straightforward, and as they can be made over the telephone, there is no need to sign a form; and for straightforward applications, customers are given their provisional State Pension and State Pension Credit entitlement at the end of the call ... In addition, The Pension Service now has an integrated claims process for State Pension Credit, State Pension and Housing and Council Tax Benefit.”¹⁴⁶

“In September 2004 [Jobcentre Plus] benefit processing took place in approximately 650 sites. Since then the number of sites processing claims has reduced steadily as part of the rationalisation of our overall business and estate. By March 2008, benefit processing activities will have been centralised into 77 sites. The latest position is that over half the Benefit Delivery Centres [BDCs] will have gone-live by the end of April 2007. Jobcentre Plus business processes have been simplified with a single 0800 number to claim Jobseeker’s Allowance, Incapacity Benefit or Income Support. Customers will be able to make their benefit claim in a single telephone call rather than in two calls previously.”¹⁴⁷

¹⁴³ Ev 134

¹⁴⁴ Ev 160, para 3.11

¹⁴⁵ Ev 126

¹⁴⁶ Ev 114, paras 4.24-4.25

¹⁴⁷ Ev 115, paras 4.35-4.36

“Disability and Carers Service continues to meet all of its benefit targets; there is a greater consistency in decision making, fewer cases are going to appeal and fewer are being overturned. It is investing in its staff through the Professionalism in Decision Making and Appeals programme. This programme of learning and development for decision makers is enhancing skills with the result being accreditation for decision makers by an external academic body. This is a trailblazing project within government and is attracting interest across Whitehall.”¹⁴⁸

110. The Public and Commercial Services Union (PCS) stated that it “welcomes any new policy that will improve the service that our members are able to provide for benefit claimants. Simplifying the benefit system should be one such policy. However, we are concerned that the motive behind this initiative may be finding financial savings in both benefit expenditure and administration, rather than improving the benefits system for citizens.”¹⁴⁹

111. It suggested that the DWP’s approach to simplification had had negative consequences in terms of the delivery of accessible customer services, particularly in rural areas, again linking this clearly to the efficiency agenda:

“The consequences of this drive to reduce staff, estate and costs in DWP are affecting DWP customers too. The closure of rural Jobcentres may make for a simpler and cheaper system but it ignores the extra cost for the customer forced to travel further to sign on and meet their advisers.”¹⁵⁰

112. Concerns about the efficiency savings programme were also raised by the Child Poverty Action Group.¹⁵¹

113. When we questioned the Minister about whether the efficiency programme had affected error rates he said that he did “not accept the premise of what has been put to you and I do not think the evidence bears it out either.”¹⁵²

114. As part of our wider scrutiny work we examine the performance of DWP and its Agencies, for example we have produced reports on *The Efficiency Savings Programme in Jobcentre Plus*¹⁵³ and *the Social Fund*¹⁵⁴ (which included consideration of the new Jobcentre Plus Standard Operating Model). We took evidence from the Chief Executive of the Pension Service in June¹⁵⁵ and will be taking evidence from the Secretary of State for Work and Pensions on the Departmental Annual Report in July. We do not, therefore, intend to

¹⁴⁸ Ev 116, para 4.41

¹⁴⁹ Ev 166, para 3

¹⁵⁰ Ev 168, para 21

¹⁵¹ Ev 199, para 59

¹⁵² Q 352

¹⁵³ Second Report of Session 2005-06, HC 834

¹⁵⁴ Sixth Report of Session 2006-07, HC 464

¹⁵⁵ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799

go into these issues separately here, apart from one general point, which is that we agree with Fran Bennett's comment:

“one thing we have not perhaps focused enough on in that area of incremental changes is just bad administration. In fact that sometimes it is not so much complexity as actually bad administration and mistakes in administration.”¹⁵⁶

115. We heard from a number of claimants that they were finding it difficult to contact the new Jobcentre Plus Benefit Delivery Centres, as described by Sue Royston:

“I saw a client. We had identified that she had not got a Sure Start maternity grant, and you only have three months after the birth to get the application in and she was only left with 10 days. She completed the form for the health visitor, she sent it into the Jobcentre, the Jobcentre then sent it off. She contacted the Jobcentre, the Jobcentre could not trace it and could not get in touch with, they had no way of getting through to, the Social Fund. They must have had a phone line, but they could not get through. In the end, I contacted them. They got in touch with somebody else in a different office. They tried to get through, could not get through and when they did couldn't locate the form. The advice in the end from Jobcentre Plus was for her to complete a new form in case it had got lost. So she had to go back to the health visitor and get it signed all over again, she had to complete the whole form again. Jobcentre Plus gave me a fax number and advised 'Fax it off and ask them to e-mail you back and tell you that they have received it.' Again, they did not. Eventually, the client just rang me and said, 'Well, it has come', but it seemed that nobody within the system could talk to the Social Fund either. It was not just that the claimant could not; it was not just that we could not; they did not seem to be able to talk them either.”¹⁵⁷

116. And Gary Vaux from the Hertfordshire County Council Money Advice Unit:

“Client, on income-based JSA, looking for work when his elderly mother's health deteriorated to the extent that he had full time caring responsibilities. He was advised to claim Income Support and Carers Allowance via the Jobcentre Plus contact centre. Once he did this, his JSA immediately stopped. Client was left without money for two months due to backlog at processing centre and was extremely frustrated due to difficulties trying to get through to the Benefit Delivery Centre (BDC) to find out what had gone wrong. Situation only finally resolved with assistance from a welfare rights adviser with direct access to BDC and knowledge of the need to liaise between three benefit departments.”¹⁵⁸

117. Brendan O'Gorman conceded that there had been some “teething problems” with the new BDCs but added:

¹⁵⁶ Q 59

¹⁵⁷ Q 49

¹⁵⁸ Ev 105, para 5.1

“Jobcentre Plus is aware that we need to do better in terms of allowing people to get in touch with the folk who are actually taking decisions on their benefit, and that is an aspect which is being looked at and will be improved.”¹⁵⁹

118. As part of this inquiry we met a series of claimants and even Jobcentre Plus staff who found it impossible to get through to the new Jobcentre Plus Benefit Delivery Centres. Unlike calls to Contact Centres these calls are charged at 0845 rates and are not free. Coupled with delays in the system, this has resulted in hardship and distress for many vulnerable people. DWP should take action to resolve these problems immediately.

3 Incentives to work

119. So far this report has examined how complexity manifests itself in the administration and structure of the benefits system. We received evidence to suggest that the consequences of complexity extended beyond maintaining a claim for out-of-work benefits. Witnesses suggested that as claimants move off benefits and into the labour market, they can face further difficulties in calculating their financial situation in work, in understanding the myriad rules that exist for in-work benefits and in fully appreciating the interaction between benefits and Tax Credits.

Better-Off Calculations

The importance and accuracy of Better-Off Calculations

120. Better-Off Calculations are undertaken by Jobcentre Plus staff on behalf of claimants and give a comparison between the claimant's out-of-work benefits and the in-work benefits they would receive when they take up employment at a certain income. Given that the transition from benefits to work can involve changes to levels of income and to periods of payment, a Better-Off Calculation can ease the consequences of change and the interaction between wages and in-work benefits by clarifying an individual's budget once they begin employment.

121. When we visited Stratford, East London, it was explained to us that Better-Off Calculations took around twenty-five minutes to complete, and in the London region, around 40% of claimants received a Better-Off Calculation, which compared favourably to the national standard of 20%.

122. The specific merits of the Better-Off Calculation in terms of increasing incentives to work was raised in evidence sessions. Abigail Howard from the Wise Group commented that, when Better-Off Calculations are completed, they were valuable to their clients:

“if you have got a skilled person who knows the right questions to ask and who is very thorough about it I think it [the Better-Off Calculation] can be very useful”¹⁶⁰

However, she added the caveat that “The system is as good as the person administrating it.”¹⁶¹

123. However, Michael Fothergill of Off the Streets and Into Work expressed concern that constraints on Jobcentre Plus Personal Advisers' time affected the accuracy and frequency with which Better-Off Calculations were administered:

“When [claimants] have got a whole raft of different benefits, they are really interested to find out exactly how that is going to translate into work, but Personal Advisers really do not have the time to do that.”¹⁶²

¹⁶⁰ Q 181

¹⁶¹ Q 181

¹⁶² Q 180

124. According to OSW, the complexity of the Better-Off Calculator itself compounded the potential for inaccurate outcomes; “[it] is too complicated for people to use, it is just too lengthy to use really for Personal Advisers.”¹⁶³ Michael Fothergill’s comments were supported by DWP research in 2004, which suggested that the inherent complexity of the Better-Off Calculator could create difficulties for those administering it:

“Less experienced advisers found the BOC [Better-Off Calculator] difficult to use and interpret; more experienced advisers found aspects of the BOC problematic, such as the selection of the financial year or where incomes had varied during the year.”¹⁶⁴

125. One Parent Families suggested that Better-Off Calculations for lone parents had “become increasingly hard to do, due to the annual nature of tax credits.”¹⁶⁵

126. The Wise Group provided a case study example which illustrated the difficulties a claimant could face in returning to work because of inaccurate and infrequent Better-Off Calculations:

“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.

“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.

“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.

“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

¹⁶³ Q 191

¹⁶⁴ DWP Research Report 220, *Jobcentre Plus’ delivery of New Tax Credit policy*, October 2004

¹⁶⁵ Ev 139, para 17

wait at least a month before she could get an appointment in order to run the Better-Off check.¹⁶⁶

127. Engagement with those who are out of the labour market is crucial, and Better-Off Calculations are an essential tool in this process. At the same time, their complexity illustrates the opaqueness of our current benefits and tax credits system. We recommend that all staff who carry out Better-Off Calculations are given additional training to ensure that the information they give to claimants is accurate, and that the IT systems are reviewed to make them easier to use and to ensure that Better-Off Calculations accurately reflect likely tax credits payments. The Committee would also welcome assurances from Jobcentre Plus that Better-Off Calculations are a priority and that staff are encouraged not just to undertake claimant assessments but to appreciate fully the value of the calculation in giving people the incentive to return to work.

How many people are offered Better-Off calculations?

128. We were told by Jobcentre Plus staff that Better-Off Calculations were not offered to all claimants for a variety of reasons: relating to the individual (eg someone who had recently given birth) or the time available to the Adviser. A supplementary memorandum from the DWP gave further details:

“Jobcentre Plus does not routinely collect data on the percentage of customers currently given a Better-Off Calculation for all customer groups and all interview types. At a national level, Jobcentre Plus has concentrated its interest on mandatory interviews where Better-Off calculations are more likely to be undertaken when most appropriate to the customer’s circumstances.

“Data for lone parents who have made a claim since the Jobcentre Plus regulations came into force shows a significant and consistent increase in the percentage of Better-Off calculations conducted throughout 2006/2007. A further study of all lone parents, including those making claims before the introduction of Jobcentre Plus regulations, has been undertaken as part of a drive to improve lone parent performance and shows not only that there has been a marked increase across 2006/07, but also that the percentage of Better-Off calculations undertaken falls in line with expectations of them being conducted at the appropriate time – more BOCs are being undertaken in caseload and New Deal Lone Parent interviews where customers are actively receptive to move into employment.”¹⁶⁷

129. Abigail Howard from the Wise Group reported that low proportions of their clients had received Better-Off Calculations:

“We did a survey with our clients before we came here today because we thought we had a lot of anecdotes but not many facts and only 27 per cent had had a Better-Off calculation at the Jobcentre before they came to us for help, so they are not getting

¹⁶⁶ Ev 153-154

¹⁶⁷ Ev 231

that advice and that information up front, which I think would make the journey easier and a lot less scary for people.”¹⁶⁸

130. We asked the Minister about this and he told us:

“The Better-Off Calculation does not always have to be done for every single claimant; it should be done where it is appropriate, and where it is an effective device and it is going to assist someone of course we want to see it done. The 20 per cent figure, which you have heard, we have suggested would represent an average where it was being applied in all appropriate cases. Indeed, in cases where we do think it is particularly helpful we have found the incidence of people being taken through that calculation going up quite considerably; in the case of lone parents making a new claim, for example, now 34 per cent are taken through the demonstration. Clearly it is a tool and it is very important and it is being applied more and more frequently where it is appropriate to do something.”¹⁶⁹

131. In order for the Better-Off Calculation to be “applied more and more frequently” it is important that staff receive clear guidance about who should receive it, however DWP told us:

“There is currently no formal guidance available. Jobcentre Plus is developing a Policy and Good Practice Guide, which will be available in the autumn. Instruction on the advantages of using Better-Off calculations is delivered as part of the Personal Adviser Learning and Development Routeway, where it is stressed to learners that the primary role of BOC is to show that the customer is Better-Off by taking up employment.”¹⁷⁰

132. We believe that Better-Off Calculations can help claimants make informed choices about work by setting out clearly any in-work entitlements for which they may be eligible. We recommend that the Government ensures that all working-age claimants are given a Better-Off Calculation at the appropriate time, and that it sets higher national targets for how many claimants receive them.

In-work benefit entitlements: moving into work

133. As we have already explained, we received a clear message from the memoranda and from witnesses that any examination of complexity in the benefits system and how it relates to work incentives should span cross-departmental boundaries and consider how DWP benefits interact with:

- locally administered benefits such as Housing Benefit and Council Tax Benefits;
- other ‘passport’ benefits such as free prescriptions and free school meals;
- the tax and Tax Credit system.

¹⁶⁸ Q 158

¹⁶⁹ Q 314

¹⁷⁰ Ev 231

134. Citizens Advice argued:

“It makes little sense for the question of ‘benefit complexity’ to be examined without looking at the same time at other systems that affect income, including the tax credit system [...] The positive benefits that may be available from benefit simplification for users of the system will inevitably be limited by the current scope of reform.”¹⁷¹

135. Similarly, Michael Fothergill from OSW emphasised:

“There is also a whole raft of hidden costs to being in work as well. Not only do you lose all of your benefits and your Housing Benefit is reduced drastically but then you also lose free school meals, prescriptions, glasses, teeth, council tax, all these things, then you have to pay fares to get to work, there are extra costs for clothes, for food, into-work calculations do not bring that kind of stuff to bear.”¹⁷²

136. A number of witnesses stressed the importance of claimants experiencing a smooth transition from benefits to in-work support, emphasising the first month as the crucial stage for many claimants if they are to sustain employment. For example, Ginny Lunn from the Prince’s Trust told us “the first month is critical, because once you start a job you are not paid until the end of your first month”.¹⁷³

137. The Wise Group agreed and added that when the benefits system fails to provide entitlements, employment programme providers are frequently required to bridge the financial gap:

“I think [...] that the first month is absolutely crucial and that is when they [employers] lose people. A lot of organisations such as our own end up subsidising people during that first month, quite significantly, to get them through unexpected costs; also the fact that sometimes the system just lets them down.”¹⁷⁴

138. Beyond the application and maintenance of different claims, individuals who move into work can face additional barriers caused by the complex rules and interactions between out of work and in-work benefits. The Joseph Rowntree Foundation commented on the “discontinuities” in entitlement, adding that “the present UK tax and benefit system makes a sharp distinction between people who are ‘in work’ and those who are ‘out of work’.” Fran Bennett emphasised that immediate financial advantage may be less important in determining decisions to work than a longer-term view:

“What I would probably draw from the experience of the last few years is that claimants value greatly security and stability in income. In particular, claimants with children do not want to put their children at risk of benefit changing or being withdrawn.”¹⁷⁵

¹⁷¹ Ev 211, para 5

¹⁷² Q 168

¹⁷³ Q 160

¹⁷⁴ Q 161

¹⁷⁵ Q 31

139. This leads on to the relationship between DWP benefits and tax credits, which we cover below.

DWP benefits and HMRC Tax Credits

140. On 3 May 2007, the Public Accounts Committee published a report on the Tax Credits system which concluded that, “the service provided to tax credit claimants has been poor.”¹⁷⁶ In this Report, we do not intend to comment on the extent of complexity in the Tax Credits system; rather we examine the relationship between DWP benefits and Tax Credits and how their sometimes complex interactions can impact upon claimants’ work incentives.

141. In her report, Sue Royston recommended that in the short to medium-term, DWP should concentrate on:

“Addressing, or working with the HMRC to address, the interactions between TCs and other benefits, which cause significant problems for some customers and have an impact on DWP targets of persuading people back into work and tackling child poverty.”¹⁷⁷

142. Abigail Howard from the Wise Group explained how delays in the payment of Tax Credits meant that, without alternative subsidies, some of their clients would have struggled to retain their job:

“We have a lot of clients who have to wait up to ten weeks for their Tax Credits to come through, so if we are not there to support them I do not see how else they would get through that period.”¹⁷⁸

143. We also heard from a Senior Research Fellow at the University of Oxford, Fran Bennett, who emphasised the importance of looking at both DWP benefits and HMRC Tax Credits in terms of simplifying the system of financial assistance:

“It is absolutely essential that the interaction between benefits and Tax Credits [...] [is] tackled. You can only do that in a cross-government way. The fact that your [the Committee’s] remit is limited to exclude Tax Credits, and the same officially with the Social Security Advisory Committee [SSAC]– I know there is a memorandum of understanding – is a real drawback for the holistic examination of both policy and administrative simplification.”¹⁷⁹

144. The Child Poverty Action Group similarly emphasised the need for more engagement between DWP and HMRC and the important role that the Social Security Advisory Committee (SSAC) could potentially play in brokering this:

¹⁷⁶ Committee of Public Accounts, Twenty-second Report of Session 2006-07, *Tax Credits*, HC 487, May 2007

¹⁷⁷ Royston (2007) *Benefits Simplification and the Customer. Independent report to DWP*, para 5.2.1

¹⁷⁸ Q 161

¹⁷⁹ Q 21

“We urge the Committee to explore the ways in which different departments work together to deliver the income maintenance policies as part of its inquiry. We argue that similar principles should apply irrespective of the provider department. In particular, we continue to argue that the Social Security Advisory Committee (SSAC) should have statutory oversight on regulations affecting Tax Credits.”¹⁸⁰

145. Although Tax Credits fall under the remit of HMRC, a Memorandum of Understanding was signed in July 2004 that set up formal arrangements under which SSAC would be invited to comment on matters within HMRC’s responsibility and to provide confidential advice to Treasury Ministers. In 2004, our predecessor Committee recommended that the remit of SSAC should be extended to formally include HMRC. The Government responded:

“The Government notes the views of the Committee, and of the independent reviewer conducting the Quinquennial Review of SSAC, but remains of the view that it would not be appropriate to extend SSAC’s statutory remit to cover Tax Credits.”¹⁸¹

146. This was re-iterated in a supplementary memorandum received at the very end of our inquiry:

“The Government has no plans to introduce legislation to extend the role of SSAC. The existing Memorandum of Understanding gives SSAC the opportunity to put full and frank advice to Treasury Ministers on the Tax Credit system.”¹⁸²

147. However the Social Security Advisory Committee itself has made clear that relations with Her Majesty’s Revenue and Customs are not satisfactory:

“although we have continued to take an interest in matters administered by HMRC, particularly the operation of the Tax Credits scheme, we have had relatively little contact with HMRC over the course of the reporting year and our role has not developed as we had hoped it would. Accordingly, we believe that a joint review of the Memorandum of Understanding is called for. We have approached HMRC and await their response.”¹⁸³

148. We conclude that any attempt to simplify the benefits system must take tax credits into account. However, it is difficult to see how this will be achieved at a policy-making level. The Benefit Simplification Unit only has responsibility for DWP benefits and while there is joint HMRC/DWP work underway to improve data sharing and operational processes, there is no Government Minister, department or unit which is attempting to address the combined and overlapping complexities of the benefits and tax credits systems. This omission must be urgently addressed.

¹⁸⁰ Ev 191, para 5

¹⁸¹ Reply by the Government to the First Report of the Work and Pensions Committee, Session 2002-2003 (HC 296), *Report on the Social Security Advisory Committee*, May 2004, Cm 6190

¹⁸² Ev 233

¹⁸³ SSAC 2006 Report, para 1.43

149. We believe that the Social Security Advisory Committee is a valuable and experienced resource that provides critical examination of the DWP benefits and HMRC Tax Credits systems and would have a role in joining up HMRC and DWP thinking. We urge the Government to ensure that both Departments engage with the Social Security Advisory Committee as a means of collaboratively addressing complex interactions between the respective systems, reconsider formally extending the Social Security Advisory Committee's remit to include Tax Credits, and arrange for a joint review of the Memorandum of Understanding to be conducted as soon as possible.

Complex rules: fuelling incorrect assumptions?

150. We heard evidence to suggest that claimants' misconceptions of benefit rules could act as a disincentive to them returning to the labour market. The Wise Group commented:

“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.”¹⁸⁴

151. Disability Alliance's Paul Treloar suggested that claimants were often unaware that Housing Benefit could be claimed as an in-work benefit:

“I think the information could be better to help people understand that you can keep Housing Benefit when you move into work, because I think people think it stops automatically because it is passported with a means-tested benefit.”¹⁸⁵

152. Similarly Michael Fothergill of OSW reported:

“we have found from quite a lot of our research that people have absolutely no idea what in-work benefits they are entitled to. Certainly in relation to Housing Benefit, I have found it remarkable that people do not know that they are entitled to this.”¹⁸⁶

153. Disability Alliance's and OSW's concerns were supported by a recent Working Paper from DWP on the impacts of rent on Housing Benefit and work incentives. Researchers concluded that Housing Benefit should be regarded as protecting people from the financial effects of high rents and as an integral part of the financial work incentive package for out-of-work claimants. However, the report found that the real value of Housing Benefit as a form of in-work support was often missed because “people's perceptions of how Housing Benefit operates in work [which] limit[s] the effectiveness of Housing Benefit as an in-work benefit and this is something we need to work to change.”¹⁸⁷

154. Earlier DWP research similarly concluded that:

¹⁸⁴ Ev 152, para 10

¹⁸⁵ Q 129

¹⁸⁶ Q 159

¹⁸⁷ DWP Working Paper No 38, Para 3.4, *Impacts of rents on Housing Benefit and work incentives*, February 2007

“From the perceptions of customers (both in work and workless), local authority staff and Jobcentre Plus advisors, the evidence for the incentive effect of HB/CTB is extremely weak.

“In order for HB/CTB to act as an incentive to work it needs to be recognised by people who are seeking work that the benefit is both available and will make a significant contribution to their income. For a variety of reasons, this does not happen in practice.”¹⁸⁸

155. The DWP has acknowledged in its own research that it must do more to ensure that claimants are aware of Housing Benefit as an in-work benefit. We urge the Government to work with local authorities to examine how best to raise awareness amongst benefit claimants and low wage earners and to act upon this swiftly.

Marginal Deduction rates and the poverty trap

156. As detailed above, an unforeseen consequence of a complex benefits system can be the proliferation of inaccurate assumptions about entitlement amongst claimants, which can in turn have a negative effect on claimants’ incentives to work. During our inquiry, we heard from organisations which argued that in some cases, assumptions reflect the reality and that existing benefit rules, particularly for Housing Benefit, may discourage people from working.

157. In its response to the Government’s Welfare Reform Green Paper in 2006, OSW argued that “the single biggest financial disincentive to work is Housing Benefit, in particular the tapers”¹⁸⁹. Michael Fothergill expanded on this point:

“the people we deal with are probably going to remain on the National Minimum Wage for a good two or three years at least, because for them it is sustaining a job as opposed to progressing in a job. I am not saying that everybody will not progress but certainly there will be a large percentage that will not, and with that Housing Benefit taper it is just going to be almost impossible for them to work. If we had a system which started off lower and then increased gradually over a period of five years, or such, maybe that would support better, but at the moment certainly not for National Minimum Wage and high rent.”¹⁹⁰

158. The Housing Benefit taper is triggered when a claimant's income is higher than what they would theoretically receive on Income Support, income-based Jobseeker’s Allowance or Pension Credit Guarantee. A deduction is made from their maximum housing benefit entitlement based on how high their income is above those benefits. Housing benefit is reduced at a rate of 65p for each £1 of excess income. The first £6,000 of savings are ignored. If there is more than £6,000 in savings each £500 of savings (or part thereof) will result in an extra £1 a week in income being assumed in the calculation of income.

¹⁸⁸ DWP Research Report No 383, *Housing Benefit and Council Tax Benefit as in-work benefits; claimants’ and advisors’ knowledge, attitudes and experiences*, 2006

¹⁸⁹ OSW response to the Green Paper, *A new deal for welfare: empowering people to work*, April 2006

¹⁹⁰ Q 162

159. Citizens Advice commented on the impact of these tapers on the overall Marginal Deduction Rate faced by claimants, and argued for a significant drop :

“HB is ignored for calculating Working Tax Credit but WTC is not ignored for HB income. When income is raised as by WTC, the tapers of HB and CTB combine to 85% which means a person gains only fifteen pence for every extra pound earned.”¹⁹¹

160. It gave the example of “a client working 12.5 hours [who] was offered an increase to 16 hours a week. If she did this she would lose her CTB and much of her HB and actually be worse off. She was very upset.”¹⁹²

161. Professor Veit-Wilson noted that “The IFS has calculated that the aggregate effect of the increasing deductions and losses of benefits leads to some low earners suffering potential or actual marginal tax rates of 70 to 96 per cent on each additional pound that they earn.” He continued:

“These very high marginal tax rates on low incomes conflict with the principle that taxation should be fair and equitable as between different earners, and that it should be transparent and calculable.

“What is most unacceptable about this situation is its inconsistency with the very widely asserted claim that income tax rates above the current 40 per cent are incompatible with enterprise. If this is the highest tax rate that it is right to expect a high income earner to pay, how much worse it is that the government effectively charges low income earners more than twice that rate.”¹⁹³

162. He concluded that “It is therefore essential that any simplification of the benefit system should reduce and not exacerbate the problem of the intolerably high effective marginal tax rates suffered by low earners.”

Better off in work?

163. A complex benefits system can contribute to claimants’ barriers to work through disincentives caused by misunderstandings and misconceptions of how the system operates and by the intricacies and interactions of financial assistance in and out of work. But we also heard evidence from organisations that argued that, even without these anomalies, there are some claimants who may never be Better off in work. In terms of the overall simplification of the benefits system, this is relevant and merits examination in this Report, as if there are groups that are being lost in the “complex morass”¹⁹⁴ of benefits, this carries the threat of undermining one of the Government’s fundamental priorities of supporting all those who are able to work to get back into the labour market.

164. The poverty trap refers to the conundrum that results when in-work, income-tested benefit payments are reduced as income rises, combined with income tax and other

¹⁹¹ Ev 214, para 26

¹⁹² Ev 214, para 32

¹⁹³ Ev 223, paras 51 - 52

¹⁹⁴ Ev 151, para 2

deductions, with the unintended consequence of discouraging higher paid work, whether that involves working longer hours or acquiring skills. It demonstrates the way in which the benefit system can create a perverse incentive.

165. Sue Royston described the ‘unemployment trap’ as follows:

“The unemployment trap occurs when those without work find the difference between in work and out of work benefits too small to provide an incentive to enter the labour market. Very many lone parents who are without maintenance and have jobs on the minimum wage are in the above situation.”¹⁹⁵

166. One of the key purposes of the UK benefits system is to provide a safety net for people who are out of work and to support those who can work to do so. However, the transition from out of work benefits to employment (and possibly in-work benefits) and the corresponding marginal deduction rates (MDRs)¹⁹⁶ may create a situation whereby the individual has an incentive to avoid work because their net income gain after benefits and taxes is not enough to compensate for the effort they must expend at work.

167. Sue Royston’s report to DWP illustrated the circumstances in which some lone parents will face the poverty trap:¹⁹⁷

Table 1: Hours worked and total income after outgoings

	Hours worked	Income/wk from work after tax	Childcare costs	Tax Credits and CHB (and IS)	HB/CTB	Total income before paying rent, C tax and childcare costs	Total income after paying rent, C tax and childcare costs
Any yr	4 on IS	£24	0	£162	£105	£290	£185
Yr 1	20	£115	£75	£231	£49	£395	£215
Yr 1	25	£137	£100	£252	£37	£422	£217
Yr 1	30	£157	£125	£284	£10	£451	£221
Yr 1	35	£178	£150	£304	0	£481	£226
Yr 2	35	£178	£150	£264	£32	£472	£217

168. John Wheatley from Citizens Advice told us:

“there are still people for whom it is not financially sensible to move into work when you look at the perfect information, because they are moving into a low-income job, they have childcare costs and they lose free school meals or other help they might be relying on, and they have travel to work costs. If the calculation is done correctly, for many people, the only reasons for moving into work are the non-financial ones, about it being good for your self-esteem and being good to go and mix with adults

¹⁹⁵ Sue Royston’s report to DWP, *Benefits Simplification and the Customer*, p 51, February 2007

¹⁹⁶ Marginal deduction rates measure the extent of the poverty trap by showing how much of each additional pound gross earnings is lost through higher taxes and withdrawn benefits or Tax Credits. [Definition taken from Budget 2007: Building Britain’s long-term future: Prosperity and fairness for families, March 2007]

¹⁹⁷ Adapted from Sue Royston’s report to DWP, *Benefits Simplification and the Customer*, February 2007

for a change and being good in the longer term for your career and hope that you might progress.”¹⁹⁸

169. Steve Broach from Every Disabled Child Matters highlighted the particularly difficult situation that faces some parents of disabled children:

“They are paying five times as much for childcare as families with non-disabled children. That is an absolutely primary driver in keeping families out of work and the result of that is that only 16 per cent of mothers of disabled children are in any form of paid employment, as opposed to over 60 per cent of mothers of other children.”¹⁹⁹

170. We were keen to learn whether any quantification had been carried out of how many people were affected and to what extent by the objective function of the rules within the benefits system. The DWP informed us:

“There are around 500,000 working age Housing Benefit recipients with Marginal Deduction Rates in excess of 40%. The vast majority of these are on the Housing Benefit taper. There are other important contributors to MDRs such as Taxes and Tax Credits, so the overall contribution Housing Benefit/Council Tax Benefit will make to MDRs depends on what other elements of the tax and benefit system people are on.”²⁰⁰

171. We received a report by OSW, *The costs and benefits of work for single homeless people*, which undertook an analysis of the different types of claimants for whom incentives to work are lowest. The report acknowledged that most people, working full time, will be better off in work but highlighted other groups for whom employment may not be the best route out of poverty:

“In most of the cases in this analysis most people are better off in work at National Minimum Wage (NMW) working full-time (35 hours a week). In the average case a person working 35 hours at NMW is £45.94 better off in work each week. However there are some people for whom it is not better off to be in work, especially those working for 15 or 25 hours a week on Income Support, Jobseeker’s Allowance, Income Support with the Disability Premium and Incapacity Benefit.

“Working hours and pay rates have a significant impact on the amount by which someone is better off in work. At 15 hours a week, at NMW, in no cases are people better off in work. At NMW the average person working 15 hours a week is worse off in work by £13.48, young people working at the development rate of the NMW are, on average, £15.77 worse off.

“Amongst the cases in this analysis the smallest incentives to work are for young people (under 21) living in privately rented accommodation or social housing in London moving from Income Support with the Disability Premium into work. If

¹⁹⁸ Q 124

¹⁹⁹ Q 151

²⁰⁰ Ev 134

they earn the NMW at the development rate (£4.45 an hour) then they will be £42.06 worse off each week.

“Even working full time, in this case, the person would still be over £20 worse off a week. Working 35 hours a week at NMW (£5.35 an hour) the greatest incentives are for those on Incapacity Benefit receiving DLA4 who can be up to £120.39 better off in work.”²⁰¹

172. The Wise Group similarly observed:

“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.”²⁰²

173. However, in written evidence DWP stated:

“There is no unemployment trap for the vast majority of working age benefit claimants because, assuming work of at least 16 hours a week, their out of work benefits would be exceeded by minimum earnings plus in-work benefit and Tax Credits.”²⁰³

174. OSW findings appear to refute the Department’s comments about the unemployment trap. We asked the DWP whether or not it agreed with OSW. It replied:

“This report has been read with interest and it is noted that it contains a lot of detailed analysis. The Department does, however, wish to make the following points.

The benefits system is geared towards moving people into work of 16 hours or more. Individuals working less than 16 hours are entitled to claim Jobseeker’s Allowance or Income Support if their earnings are less than their applicable amount. While on the benefit they can make use of the earnings disregards in Jobseeker’s Allowance and Income Support which allow customers to work a few hours and keep some amount of their earnings before they are taken into account in their benefit calculations. The in-work cost assumed by the Off the Streets analysis is held constant regardless of the numbers of hours worked. The Department does not believe this to be realistic. Establishing exact gains to work is usually dependent on the level of the in-work-costs which will vary widely between individuals.

Working 16 hours at the National Minimum Wage compares favourably with levels of out of work benefits. For example, individuals aged 25 and over receive £85.60 from 16 hours work at the National Minimum Wage (rising to £88.32 from 1 October 2008) compared with £59.15 from Income Support/Jobseeker’s Allowance. Also, individuals on the development rate for 18-21 year olds receive £71.20 from 16

²⁰¹ OSW, *The costs and benefits of work for single homeless people*, 2006, p 64

²⁰² Ev 152, para 13

²⁰³ Ev 111, para 3.4

hours work at the National Minimum Wage (rising to £73.60 from 1 October) compared with £46.85 from Income Support/Jobseeker's Allowance."²⁰⁴

175. In 2006, the Institute for Fiscal Studies undertook some analysis of the "poverty trade-off" on behalf of the Joseph Rowntree Foundation.²⁰⁵ The study looked at different family types and their respective incentives to work and found:

"The financial work incentives of these groups are very different. Lone parents face some of the weakest incentives to work at all, and face weak incentives to progress in the labour market. They face weak incentives to progress because many working lone parents will be subject to withdrawal of a tax credit or means-tested benefit as their earnings rise. For the same reason, and because of the low average wage that they receive and high levels of out-of-work income, they face weak incentives to work at all.

"Meanwhile, single adults without children face some of the strongest incentives to work. The relatively low level of state support that is provided to these people when they are not working means that their replacement rates are generally low. The incentive to progress is relatively strong for this group, with most individuals being subject to the basic rate of income tax and [National Insurance contributions]."²⁰⁶

176. We recommend that the Government undertakes research to investigate whether there remain some groups of claimants for whom work does not offer the best route out of poverty, and more detailed analysis of the impact of high Marginal Deduction Rates in parts of the benefits system on overall work incentives.

DWP contractors' understanding of the benefits system

177. We took evidence from a number of organisations that provide employment support to DWP benefits claimants. We were particularly interested in examining how much DWP contractors knew about benefit rules and whether benefits advice was offered to their clients. Abigail Howard from the Wise Group outlined the level of expertise amongst the organisation's staff:

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

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

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

²⁰⁴ Ev 233

²⁰⁵ The Institute for Fiscal Studies, *The poverty trade-off*, published for the Joseph Rowntree Foundation, October 2006

²⁰⁶ The Institute for Fiscal Studies, *The poverty trade-off*, published for the Joseph Rowntree Foundation, October 2006

*“Ms Howard: Actually I do not know. I think there are a few members of staff in each project who probably have that knowledge but not every single member of staff has that level of knowledge and expertise.”*²⁰⁷

178. The current contractual obligations for the New Deals, Employment Zone and Pathways to Work do not include any requirement for DWP contractors to provide benefits training for their staff.

179. Sue Royston’s report expressed some concern about the future role of contractors and the impact on benefits advice, noting that:

*“Some within the voluntary sector expressed concern that in the future customers may not see a DWP advisor at all because the service has been contracted out. There may be no incentive for someone from a contracted out organisation to give advice about other benefits. This could have an unwelcome impact on the take-up of other benefits.”*²⁰⁸

180. The Committee awaits the Government’s response to David Freud’s review of welfare system but even at this early stage considers that, should the Government extend the role of contractors in delivering frontline services for claimants, it should be incumbent on providers to undertake benefits training for staff.

²⁰⁷ Qq 192-193

²⁰⁸ Royston (2007) *Benefits Simplification and the Customer, Independent report to DWP*, para 1.2.7

4 The claimant experience

181. DWP provides a service to its claimants, and rightly aims to treat people in a sympathetic and dignified way. One of its five strategic objectives is to “ensure customers receive a high quality service, including high levels of accuracy.”²⁰⁹ The DWP’s report *Getting Welfare Right* stated that “our customers matter to us. We want to continue to respond to their needs and individual circumstances.”²¹⁰ As we stated in the introduction to this report, the claimant’s perspective must be central in assessing the impact of complexity, and in working out ways to mitigate it.

182. John Wheatley of Citizens Advice told us that claimants:

“come to the system not knowing what benefit they want to claim. They come knowing that they need help but they are in a situation where they do not have the money and they need to do what they need to do. So they are looking for a system which gives them the answer, tells them what their entitlement is.”²¹¹

183. Sue Royston said that, in her view, it was possible to address complexity by shielding the claimant:

“I think it is inevitable that there will be some complexity, but a lot of complexity could be masked by better delivery for the customer. In terms of an affordable way to tackle complexity, masking complexity is very important – delivering a system which is easy to use.”²¹²

184. Fran Bennett spoke of the importance of designing processes from the point of view of the claimant, rather than the system, referring to:

“the danger of what we used to call at the Child Poverty Action Group ‘the administrative imperative’; in other words, doing things because it is simpler administratively, without looking at the whole picture from the claimant’s perspective”.²¹³

185. The Minister stressed that customers did have the right to expect the DWP to be providing services in an appropriate way:

“It is about keeping up, but more than keeping up, it is also about keeping ahead, and we do have to think about our customers’ expectations; after all, how are they engaging with the real world in respect of other things that they are doing? They should not expect the process in respect of benefits to be any further behind the way

²⁰⁹ DWP, *Departmental Annual Report 2007*, Cm 7105, May 2007, Chapter 2

²¹⁰ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, para 2.3

²¹¹ Q 91

²¹² Q 2

²¹³ Q 12

they are doing their banking or getting their TV licence, or anything else that they regularly engage with; we should be making the same sort of effort.”²¹⁴

186. DWP is attempting to implement these ideas through its Insight programme. It explained that during 2007-08 it is aiming to “understand better what customers want through a newly established Customer Insight team”.²¹⁵ It conceded that the “Department currently takes a product-based view of its customers” but continued that Insight would help it to understand:

“What customers want and need from the Department’s services;

“How products and services come together in groups for individuals;

“How those individuals would or could access those products and services and how DWP might target its service delivery to meet customer needs in the most efficient way possible;

“How the service to customers may impact upon policy outcomes and, therefore, how to prioritise, design and deliver services in order to maximise positive outcomes.”²¹⁶

187. The DWP has recently advertised for a new Director of Customer Insight, a post which is to command a salary of £100,000.²¹⁷ The programme is therefore at an early stage and the three senior operational managers we took evidence from were unaware of it.²¹⁸

Customer ‘journeys’ and segmentation

188. Sue Royston told us that one way of better capturing the claimant experience would be to work on customer pathways or journeys:

“One way in which you could look at measuring complexity would be to have, in a sense, a whole basket of customer journeys, starting with straightforward journeys like a partner leaving; but also dealing with more complex journeys ... These journeys would be examined to measure all sorts of things like how easy was it for the person to find out about benefits? Do benefits get missed? How many contacts does the person have to make in order to claim the benefit? How easy is it to report a change of circumstances? Do they have to go to lots of places? Can they just report it once? Is the information shared better, so that different departments find out about any changes? Do they have a way of finding out about new entitlement?”²¹⁹

²¹⁴ Q 372

²¹⁵ Ev 117, para 4.53

²¹⁶ Ev 118, para 4.55

²¹⁷ www.dwp.gov.uk/working/jrc-dci.asp

²¹⁸ Q 226

²¹⁹ Q 3

189. Although she added that this did not necessarily lead on to introducing ‘segmentation’, ie the process in marketing of dividing a market into distinct subsets (segments) that behave in the same way or have similar needs:

“there are dangers of too much segmenting, in that people have complex lives. The lone parent that I mentioned, because she separated, was taken down that route and the two lots of DLA were missed. You have to be careful to get the full complexity of people’s lives.”²²⁰

190. The DWP researched the feasibility of profiling claimants in a 2003 study. The research concluded that “Profiling outperforms the random allocation of treatments but wrong denial and wrong treatment rates are not trivial.” It added “whether statistical profiling performs accurately enough for policy purposes is a subjective judgement.”²²¹

191. The Freud Report quoted research done by DWP on a ‘segmentation tool’ which also posed questions about its value:

“The 2005 pilots also included a pilot around segmentation. This was specifically to see whether a simple ‘tool’ could be used to identify those who would be most likely to come off the register in the first 13 weeks ... The segmentation tool was reasonably effective in identifying those who are likely to sign off within 13 weeks – around 60% of those defined as ‘green’ (and likely to leave JSA within three months) did flow off benefit, compared with around 50% of those defined as ‘red’. However this also suggests: a high level of mis-classification; and a high proportion of people classified as ‘green’ still on JSA after three months.”²²²

192. We agree with Sue Royston that looking at customer journeys could be a good way of shedding light on the claimant experience, and as such should be a useful tool for the new Customer Insight Team.

Single point of contact

Reporting changes of circumstances

193. We cover the rules governing the reporting of changes of circumstances later in this report. The fact that claimants have to deal with multiple agencies was identified by several witnesses as a real pinch point of complexity for people. Sue Royston told us:

“If there was one point of contact, it would make it much simpler for the claimant but it would also stop overpayments. It is where somebody reports, ‘I have done some extra work’ to one department and then thinks that that goes through, but it does not get passed on ... From all the disability groups and the welfare rights groups

²²⁰ Q 56

²²¹ DWP Research Report 196, Profiling benefit claimants in Britain: a feasibility study, Alex Bryson and Diana Kasparova, November 2003.

²²² David Freud, Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions, 2007, p 90

I have talked to, the sharing of information was a huge request. It probably came top of the list.”²²³

194. This assessment was borne out by the evidence we received from other organisations. Every Disabled Child Matters explained:

“In our experience, the majority of overpayments and underpayments to claimants are caused by poor inter and intra agency communication, and to claimants not understanding that agencies are most unlikely to be talking to one another and that they should notify other benefit paying agencies of relevant changes.”²²⁴

195. John Wheatley of Citizens Advice described the current situation, where people had to approach different parts of government, as “beyond the wit of most people”;²²⁵ and Paul Treloar of Disability Alliance talked about “a very disjointed approach.”²²⁶ Paul Dornan of CPAG stressed that the data-sharing needed to be done in real-time.²²⁷

Case study: “Someone came into a CAB. Somehow the benefits system had registered incorrectly that their child was no longer there; and, as a result, all their benefits had stopped. It took the adviser three hours to report to five different benefits to get their benefits back into payment. That was with all our contact numbers and our knowing exactly where to go and who to reach. It would have been impossible for the claimant to do that on his own, and yet all his benefits had stopped.”²²⁸ [Sue Royston]

196. The CPAG memorandum referred to a test case “in which the DWP successfully argued that even though one part of it knew about a change in circumstances, other parts of the DWP could not be assumed to know about the change.”²²⁹

197. The NAO was particularly critical of where the DWP was starting from in its IT and the links internally between systems:

“The Department has 35 major IT systems and is currently undergoing one of the largest modernisation programmes in Europe after a period of limited investment in making linkages between systems. This has affected its ability to help staff cope with the complex system. IT modernisation is constrained by complexity, with solutions made harder in some cases by a lack of compatibility between different systems.”

Although it added:

“However, the Department advised us that the infrastructure is being put in place to enable existing systems to be replaced with new, accessible technology which would

²²³ Q 30

²²⁴ Ev 146, para 26

²²⁵ Q 101

²²⁶ Q 103

²²⁷ Q 140

²²⁸ Q 30

²²⁹ Ev 193, para 15

help staff make more common connections and allow eligibility and award recommendations to be made for more complex cases.”²³⁰

198. The DWP’s recent report on error, *Getting Welfare Right*, commented that:

“According to findings of our internal research, some customers fail to report changes in their circumstances for the following reasons: Customers’ awareness and knowledge of the specific changes that have to be reported can be patchy ...; Customers struggle to apply the requirement to report changes in circumstances to real-life situations ...; and Customers also assume that when they report a change of circumstances to one part of the Department or their local authority, the information is automatically shared with other relevant parts of the Department, and that they therefore do not need to inform them separately.

“We accept that we have to do a lot more to explain the requirements of individual benefits to our customers more clearly and on a more frequent basis.”²³¹

199. The report concluded that:

“We need to do more than improve our leaflets and heighten customer awareness. We plan to look creatively at how to make it easier for customers to report changes of circumstance, as well as raising their awareness about what they need to report, when and to whom – a particular difficulty for those recipients of Housing Benefit who are not receiving any other benefits, as they do not have the regular face-to-face contact that Jobcentre Plus has with many of its customers.”²³²

200. The value of a single point of contact is rising up the government agenda. It was recently raised by Sir David Varney in his review of public service delivery, *Service transformation: a better deal for citizens and businesses, a better deal for the taxpayer*.²³³ He identified a number of key actions for the Comprehensive Spending Review 2007 in order to deliver a broader service transformation programme, including the development of “a change of circumstances service starting with bereavement, birth and change of address by 2010, initiated as a feasibility study, to drive citizen and business focused cross-government working.”²³⁴ The report added that the Government should also:

“improve Directgov and Businesslink.gov so they become the primary information and transactional channels for citizens and businesses, reducing the number of departmental specific websites .. [and provide] the Secretary of State for the Department for Work and Pensions (DWP) and the Paymaster General respectively with responsibility for the services”.²³⁵

²³⁰ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, November 2005, HC (2005-06) 592, Executive Summary, para 23

²³¹ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, paras 1.17-1.18

²³² DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, para 4.16

²³³ HM Treasury, *Service transformation: a better service for citizens and businesses, a better deal for the taxpayer*, Sir David Varney, December 2006

²³⁴ As above, p 5

²³⁵ As above, p 5

201. The Report continued that progress against the objectives should be very closely monitored:

“I recommend that establishing and taking forward a service transformation programme with an associated published delivery plan should be one of the Government’s top priority outcomes for the 2007 CSR period. This level of priority will be essential to driving the programme forward and to incentivise collaboration across the public sector. I would recommend that there is regular monitoring of progress on the programme and that there is a much greater use of benchmarks to judge how departments are performing. Finally, as happens already with existing PSAs, I recommend that performance against the delivery plan is made public, on at least an annual basis, so that citizens and businesses can judge how public services are changing.”²³⁶

202. Alexis Cleveland, Chief Executive of the Pension Service, told us that the change of circumstances initiative was now known as the “Tell Us Once” project, and that she was leading it. She continued that the project had started in January in liaison with HMRC, the Department of Communities and Local Government and the Department of Health, and involving other organisations such as CRUSE.²³⁷ A feasibility study had been submitted to Gus O’Donnell and the Civil Service Steering Board in May, and the project was now moving to pilot stage.

203. Alexis Cleveland added that issues under consideration included not just improving how the Government received information from the public but also what it did with it, warning about the risk of claimants being “drowned in brown envelopes ... if we then all individually, as departments, trigger a response back to an individual.”²³⁸

204. The recent DWP *Getting Welfare Right* refers to two ongoing projects in this area. Firstly, the One: Time Solution, which “will introduce a new IT process within Jobcentre Plus and The Pension Service, which will provide improved data-sharing and data-matching capability. It will also contain tools for use by managers and staff, which will help them to carry out their work more easily and efficiently. By extracting and converting data held in the Department’s existing computer systems in a new way, it will be possible to make better use of this information in the future”,²³⁹ and is due to go-live around the middle of 2007.²⁴⁰ Secondly, a new computer system, the Customer Information System, which “interacts with our current IT. It will share across the Department basic customer information such as name, address and rate of other benefits in payment”.²⁴¹

²³⁶ HM Treasury, *Service transformation: a better service for citizens and businesses, a better deal for the taxpayer*, Sir David Varney, para 4.8

²³⁷ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799, Q 10

²³⁸ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799, Q 10

²³⁹ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, p 18

²⁴⁰ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, figure 5

²⁴¹ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, para 3.21

205. We asked the Minister for his views on the single point of contact. He replied that “it should be the case, ultimately, that customers can give us the essential information which the system needs, give it to us once and then we will have what we need.”²⁴² He continued:

“that is the way government services will move, and in terms of supporting customers it is the way they should move. I think you can see bits of that beginning to happen already. It will work provided that behind the shop window, if you like, all the different bits are joined up on our side, and so successful systems of data-sharing between different parts of government are critical to achieving that vision which we have got, and that is beginning to happen. There is very positive discussion and work taking place between ourselves and HMRC, for example, on this.”²⁴³

206. He added that he saw the system as being in “a transitional phase at the moment, to be honest with you, moving from what was, of course, a predominantly paper-based system to one which ultimately, I think, will be far more electronically data-based.”²⁴⁴ Brendan O’Gorman added that the Pension Service was working on an electronic document storage system. A contract to deliver this would be advertised at the beginning of 2008; and if the product was successful, it would be rolled out to other Agencies.²⁴⁵

207. We welcome Sir David Varney’s recommendation that a Government-wide change of circumstance service should be established by 2010. Given that the DWP has such an important role in the delivery of the Varney review through the ‘Tell Us Once’ project, we believe that successful implementation should be incorporated as part of the Department’s targets, and closely monitored as proposed by Sir David Varney.

208. Tell Us Once is limited to a relatively narrow area, so we welcome the Minister’s commitment to introduce a single point of contact for changes of circumstances across DWP, including for housing benefit, and ask the Department to set out a timetable of its wider work to achieve this, including the One:Time Solution and the Customer Information System. It is essential that a single point of contact is developed to facilitate both the easy communication of changes in circumstances by claimants and a prompt response from agencies. This will help claimants to avoid unnecessary hardship, such as the threat of eviction.

209. We welcome the fact that progress is being made towards the introduction of an electronic document storage facility in the Pension Service, and ask DWP to keep us informed of progress with this important project.

Help and advice

210. Professor Veit-Wilson noted that Lord Beveridge had observed that because of the complexity of the social welfare system “Citizens cannot be left to find out all about it by

²⁴² Q 311

²⁴³ Q 360

²⁴⁴ Q 336

²⁴⁵ Q 336

reading official pamphlets, however clearly they may be written.”²⁴⁶ There was a role also for expert help and advice.

211. The potential of one-stop-shops was raised in the evidence we received. Janet Allbeson described them as “a sort of holy grail”, adding “It has proved very hard to put into practice, that is the truth of it.”²⁴⁷ When we visited the United States, we were told about the ‘one-stop centers’ that had been established following the Workforce Investment Act 1998; it was stressed to us that although information was often available in one place, it did not help if the rules and eligibility were different. In addition, although the centers were mandated to provide integrated services to the unemployed, they were not expected to offer certain services, but just to provide information about them.²⁴⁸

212. David Freud’s report had an ambitious aim for Jobcentre Plus in becoming a one-stop shop:

“With responsibility for tailored employment support for the hard to help transferred to the private and voluntary sector, Jobcentre Plus should have the capacity to become the natural one-stop shop for a large number of standardised services for the mass market. This would place Jobcentre Plus at the heart of a connected set of welfare services, giving claimants and the taxpayer the full advantage of the contact it has and its physical presence on the high street. Jobcentre Plus could provide a one-stop base for relevant changes of circumstance, as proposed by Varney; consolidate the provision of benefit services, including working Tax Credits and housing benefit; sit at the heart of an integrated employment and skills service (Leitch); and further promote access to formal childcare (Harker).”²⁴⁹

213. Sir David Varney also recommended “the establishment of more cross-government one-stop-shop services. These should develop into locations where the whole of a ‘theme’ can be transacted, covering both central and local government, starting with the change of circumstances service”.²⁵⁰

214. The Minister took the view that there should be a “one-stop principle rather than a one-stop shop ... Different customers will want to deal with this in different ways and what I want to ensure is that, whatever approach any particular customer wants to take to us, we are facilitating it and supporting it.”²⁵¹

215. However, he added:

“In more and more parts of the country there are physical one-stop shops appearing, where one individual can guide someone through the whole range of public services

²⁴⁶ Ev 218

²⁴⁷ Q 142

²⁴⁸ Joel Handler and Yeheskel Hasenfeld, *Blame Welfare, Ignore Poverty and Inequality*, Cambridge University Press, 2007. Also E Richer et al (2003) “All in one stop?” *The Accessibility of Work Support Programs at One-Stop Centers* (Centre for Law and Social Policy, Washington D.C.) pp 1-45

²⁴⁹ David Freud, *Reducing dependency, increasing opportunity: options for the future of welfare to work*. An independent report to the Department for Work and Pensions, 2007, p 111

²⁵⁰ HM Treasury, *Service transformation: a better service for citizens and businesses, a better deal for the taxpayer*, Sir David Varney, para 8.20

²⁵¹ Q 359

which they might be engaged with, which, say, are much wider than just DWP or benefits issues. I think, logically, this is the way things are progressing. I share your vision.”²⁵²

216. He drew attention to the work currently underway in Local Government with Local Area Agreements to drive such projects forward.²⁵³ A Local Area Agreement “is a three year agreement, based on local Sustainable Community Strategies, that sets out the priorities for a local area agreed between Central Government, represented by the Government Office (GO), and a local area, represented by the local authority and other key partners through Local Strategic Partnerships (LSPs).”²⁵⁴ They are structured around “children and young people, safer and stronger communities, healthier communities and older people, and economic development and enterprise.”²⁵⁵ Alexis Cleveland, Chief Executive of the Pension Service, spoke about the work her Agency was doing with the Disability and Carers Service and local authorities to integrate services more effectively.²⁵⁶

217. Other witnesses stressed that it was vital to bring in other agencies to this work, such as health visitors. Steve Broach of EDCM told us “I do not think we can expect professionals across the other sectors to become experts in benefits advice, but they need to know where to refer people to,”²⁵⁷ adding “it is the responsibility of the local agencies ... to be talking to each other.” Dr Paul Dornan made the point that this should be regarded as part of professional continuous development, “not an add-on to the job”: “if you are looking at the health of a family and the health of a child, their income is fundamentally important.”²⁵⁸

218. We look forward to the Government’s response to the Freud review, and trust that it will include an assessment of the feasibility of his suggestion that Jobcentre Plus offices should become one-stop-shops for a range of government services. In the meantime, DWP does need to ensure that its links with other agencies who have direct contact with vulnerable people, such as health visitors and local authorities, are strong, and that help and advice about benefits is widely available.

What advice is Jobcentre Plus giving?

219. The issue of the level of expertise needed on the Jobcentre Plus front line was also covered by several witnesses. Sue Royston told us:

“At the moment, the person at the contact centre deliberately has no expertise in benefits whatever. You need an expert at the front of the process, together with an expert computer system. However, the script could be a lot simpler if they had

²⁵² Q 360

²⁵³ Q 362

²⁵⁴ <http://www.communities.gov.uk/index.asp?id=1163655>

²⁵⁵ <http://www.communities.gov.uk/index.asp?id=1163655>

²⁵⁶ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799, Qq 8-9

²⁵⁷ Qq 143-4

²⁵⁸ Q 146

someone who understood the system but also had the script or a benefit calculator as a back-up. The combination of the two would make a big difference.”²⁵⁹

220. Sue Royston’s report added:

“There is no obvious place within the system where all customers can explain their position and get information about which benefits to claim and the effect this will have on other entitlements eg. the effect of DLA on HB or TCs. As a result, throughout the system there are helpful people giving information when asked but because there are no clear formal arrangements this is often done without the necessary training or backup and the resulting information is sometimes misleading or incomplete.”²⁶⁰

She suggested that a ‘benefit check’ should be part of the early screening stage.²⁶¹

221. John Wheatley of Citizens Advice said:

“you need people running the system at the front end who have some inkling of how the system works. It cannot all be done by a script. Otherwise, you take people through the whole script when it is clear from the very outset that they have capital or maintenance which takes them above the level of entitlement for Income Support. You end up with a lengthy call, at the end of which no-one is clear whether anyone is entitled to help and I think that is just a waste of resources.”²⁶²

222. Janet Allbeson of One Parent Families took the view that “the reality is that you have to understand the rules behind the pressing buttons and the cost pressures on the Department, which in a sense I suppose are inevitable, but it means that you have really fairly basically trained staff doing clerical tasks and they do not understand or they cannot explain what they are doing.”²⁶³ Michael Fothergill of Off the Streets and Into Work made a similar point.²⁶⁴

223. Steve Devereux of Jobcentre Plus, giving his personal opinion, agreed that:

“an understanding of the benefit conditionality would enhance the information gathering process I think the improved understanding would enhance that information gathering. In terms of how much information is missing, roughly 56% of the jobseeker’s allowance claims, for example, that my Benefit Delivery Centre takes are fully evidenced, fully supported. That means that 44% are not, of course, but 56% are.”²⁶⁵

224. We were interested to note that Alexis Cleveland, Chief Executive of the Pension Service, told us that her Agency had a very different approach. She commented that “the

²⁵⁹Q 26

²⁶⁰ Royston (2007) *Benefits Simplification and the Customer. Independent report to DWP*, para 0.2.2

²⁶¹ Royston (2007) *Benefits Simplification and the Customer. Independent report to DWP*, para 0.3.1

²⁶² Q 92

²⁶³ Q 141

²⁶⁴ Q 157

²⁶⁵ Qq 245-6

way we have chosen to set up the business is not to have heavily scripted conversations” as “we have learnt that from ... insurance companies and other people ... often you can pick up other needs better if you work through a conversation rather than if you are going through a script.”²⁶⁶ Her colleague Janet Grossman stressed that this went alongside substantial staff training and stringent tests of accuracy.²⁶⁷

225. We explored the use of the Script during our inquiry into the *Efficiency Savings Programme in Jobcentre Plus*. In that report we concluded:

“that the script does not prevent misinformation and that a certain level of knowledge of the benefits system is needed to prevent customers being given misleading information about potential entitlement. We therefore recommend that Jobcentre Plus increases the level of training for those who join Contact Centres without a knowledge of the benefits system, recognises the value of experience with benefits advice of some of its First Contact Officers and works both to refine the script and to accept a certain amount of deviation from it.”²⁶⁸

226. Jobcentre Plus needs staff on the front-line who have a degree of expertise in the benefits system and are not tightly bound to the script. The analogy we would draw here is with a triage nurse in an Accident and Emergency Department. It would be inefficient if staff in Jobcentre Plus contact centres, who will be dealing with routine calls most of the time, were fully trained-up experts in the benefits system. But they should be better trained than they are now, to provide a more informed and flexible service to claimants and save work further down the line. Jobcentre Plus should learn the lessons of its sister Agencies, particularly the Pension Service, on this.

Working with HMRC to make the claimant experience better

227. The need for greater inter-departmental coordination of different types of financial support was raised in the evidence we received. The Chartered Institute of Taxation Low Incomes Tax Reform Group suggested that the division between DWP and HMRC “causes not only needless system complexity but also confusion to the individual claimant” adding that “this complexity and confusion can be reduced, if not minimised, by the two Departments consulting each other when framing policy and procedures, and working together more.”²⁶⁹

“**Case study:** Mrs D (55) is working, Mr D (61) has no income having just lost his Incapacity Benefit. The couple receive a small amount of Working Tax Credit. They apply for, and receive, a small amount of Pension Credit.

Receiving state Pension Credit makes them entitled to maximum Working Tax Credit. Therefore if Mr and Mrs D notify HMRC immediately of their Pension

²⁶⁶ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799, Q 18

²⁶⁷ As above, Q 88

²⁶⁸ Second Report of Session 2005-06, HC 834, para 182

²⁶⁹ Ev 187

Credit award they will have their Working Tax Credit increased from a small amount of £8.73 per week to their maximum amount of £76.79 per week.

This is where the problem begins for Mr and Mrs D. The subsequent increase in their Working Tax Credit is a change which they must notify to the pension service immediately. The consequence of this is that their Pension Credit will be recalculated to take into account the increased Working Tax Credit, thus reducing their Pension Credit entitlement to nil. Because Mr and Mrs D are no longer entitled to any Pension Credit, they are no longer passported to maximum Working Tax Credit. Therefore in order to avoid an overpayment of Working Tax Credit they would need to inform HMRC of this. This will mean that their WTC will be recalculated to a much lower amount. At this point Mr and Mrs D would most likely re-qualify for Pension Credit. So Mr and Mrs D are back to the same position they were in at the start. They can now apply for Pension Credit, which will then passport them back to maximum Working Tax Credit....and so the circularity continues.”²⁷⁰

228. DWP’s memorandum highlighted the work ongoing with HMRC in the North East of England to develop service improvements, which has involved HMRC and DWP staff working together in the same locations. It stated:

“This is not wholly new territory – these organisations already seek to share information as part of many core processes – but it represents a potential step-change in the scale and impact of that activity.

“When an unemployed person in the trial area leaves benefit to take up work, Jobcentre Plus staff will work with them to initiate and partially populate a claim for Tax Credit at the same time as they close the benefit claim. They will similarly pursue possible Housing Benefit/CTB claims or changes in conjunction with local authority staff. This ensures that people are aware of, claim and much more quickly receive in-work benefit and Tax Credit entitlements.

“Conversely, when someone leaves work and claims JSA, Jobcentre Plus staff share information as appropriate with colleagues in HMRC (so that appropriate Tax Credits can be stopped immediately, thus avoiding overpayments and debts) and the local authority (to initiate or amend a claim for Housing Benefit/CTB).”²⁷¹

229. DWP concluded that “It is too soon for evidence to be available on the impact of the trial on employment outcomes but the initial impact has been very positive: More claimants are aware of potential in-work entitlements; Claimants moving into work are having Tax Credits processed within 3 days and People moving out of work are receiving both JSA and Housing Benefit within around 17 days, compared to a baseline for the latter of around 37 days.” It announced in June, after we had finished taking oral evidence, that the trial was being expanded to a further six local authorities.²⁷²

²⁷⁰ Ev 190

²⁷¹ Ev 117, paras 4.47 – 4.49

²⁷² DWP press notice, *Data Sharing can lead to faster, more efficient services*, 26 June 2007

230. Given the points we have made already about the importance of improving the interface between in-work and out-of-work benefits, the joint DWP/HMRC pilot to develop service improvements sounds promising and we welcome the fact that it is being extended.

A single point of application?

231. When the Committee was in California members were given a presentation on a system called One-E-App, which is described on its website as:

“a Web-based system for connecting families with a range of publicly funded health and social service programs. This one-stop approach improves the efficiency and user-friendliness of the application process for families seeking health coverage.”²⁷³

232. The system provides a “one-stop process for preliminary eligibility determination and electronic submission across multiple programmes.”²⁷⁴ In essence it takes a claimant’s details once and gives a preliminary indication of eligibility for certain benefits (which benefits are included depends on the state). The claimant can then choose which benefits to apply for, and their details are transferred on to the legacy Government systems for processing in the normal way. The system electronically captures and stores paper documents. Once faxed through they are electronically linked to the application and the images are saved. The applicant’s signature is also captured electronically.²⁷⁵

233. One-E-App was developed from an earlier system called Health-e-App and is jointly funded by the California Healthcare Foundation and the California Endowment. It is operational in seven California counties (Alameda, Fresno, Los Angeles, San Joaquin, San Mateo, Santa Clara, Santa Cruz), and also used in Arizona and Indiana.²⁷⁶ Its development drew heavily on the ‘Turbo Tax’ form, a paperless tax application used throughout the US.

234. Housing 21 suggested an on-line benefits portal would be of considerable use in the UK, proposing “a ‘one stop shop’ web portal (‘Benefits Direct’) ... using a model similar to the NHS Direct website.”²⁷⁷ We asked the Minister about One-e-App and the potential use of similar systems in the UK. He told us that quite a lot was happening in data sharing, and he thought that this would be an important step forward,²⁷⁸ although he added:

“that is a perfectly sensible principle. I think quite a lot of our forms are available by downloading from websites already, as I understand it, that is already the case and the technology is going to take us in that direction. I think, yes, is the succinct answer to your question on that.”²⁷⁹

²⁷³ www.oneeapp.org

²⁷⁴ www.oneeapp.org

²⁷⁵ www.oneeapp.org

²⁷⁶ www.oneaapp.org

²⁷⁷ Ev 164, para 4.2.2

²⁷⁸ Q 337

²⁷⁹ Q 338

235. Interestingly, the DWP Report *Getting Welfare Right* proposed a similar-sounding system to One-e-App:

“In the longer term, we aspire to enable most of our customers to make benefit claims over the internet securely. We already provide electronic versions of claim forms ... But we want to go much further than this. If customers can complete the forms online, they should be able to complete them in their own time, with the ability to save them and return to them when they have the correct information to hand.

The technology supporting the interactive online application would be able to validate the information the customer inputs as each page is completed online and would provide a warning message should the information appear to be incorrect. The online application form could also be designed so that a claim could not be submitted until simple errors or inconsistencies are corrected. This information would then be ready to be input directly into our benefits systems without the need for re-entry of data, which is where error can enter the system.”²⁸⁰

It also noted “In December 2006, new legislation enabled local authorities to accept claims to benefit, amendments to claims and change of circumstance notifications electronically or by telephone.”

236. We sought information on the ‘My DWP project’, which aims to provide the following services through a secure internet service on the DirectGov website by the end of March 2008:

“a customer benefit enquiry service that shows which benefits are in payment and when from; and

“a benefit advisor service that will seek to identify which benefits a customer may be entitled to, based on information input by customers, and signpost the customer’s next steps to claim or make further enquiries. This service will also, at first for a limited group of customers, provide an initial calculation of benefit entitlement.”²⁸¹

237. The note adds that “These services will be prioritised and phased in to ensure that the most beneficial services for customers are delivered first and customer analysis currently underway will guide this.”²⁸²

238. The Minister described this initiative as:

“a very important internet-based service, which will give any customer access to far more information about their records, their potential entitlements, than they can establish quickly at the moment, that again will be another big step forward towards achieving simplification.”²⁸³

²⁸⁰ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007, paras 4.11-4.12

²⁸¹ Ev 136

²⁸² Ev 136

²⁸³ Q 306

239. He added:

“once we have got the internet system ready for roll-out in 2008, the quality of information and support and advice that we are going to be able to give to customers about their own individual claims and the entitlements and the record attached to it will move forward considerably from where it is now.”²⁸⁴

240. We spoke to Lesley Strathie, Chief Executive of Jobcentre Plus, in January of this year and asked her then what progress was being made with online applications. She explained that “It is not efficient for us at the moment because efficiency would be if the customer could complete the form online and immediately it went into the legacy systems and a payment was processed and out the other side; but we are quite a way from there,”²⁸⁵ adding “The balance is, for me, I cannot conjure up resources. I have got many challenges and I want to offer the citizens of this country as much choice as possible in getting a really good service, but very often choice costs, and that is the balance.”²⁸⁶

241. We ask DWP to consider whether its ‘My DWP’ project should include the function to submit applications for benefits online using a secure system with links to the DWP’s own processing systems, along the lines of the One-e-App process used in parts of the USA. We also ask DWP to set out the legislative background to the need for a signature on claim forms, which is often described as a barrier to on-line applications.

Letters and leaflets

242. The Minister highlighted the work that DWP has been doing to improve its leaflets:

“Thanks to the work which was initiated by the BSU undertaking a programme of rationalising all of the literature and leaflets which the Department issues, there were 245, we are down to 178, I think the target is to get it down to 100; we are trying to secure Plain English Campaign accreditation for every single one.”²⁸⁷

243. Several witnesses commended this work. Anna Pearson thought that the ‘leaflet rewrite project’ had been a success,²⁸⁸ and Sue Royston agreed, although she added that “leaflets are not the total answer to dealing with complexity for claimants.”²⁸⁹ Bill Farrell of the Disability and Carers Service explained that work was underway to improve claim forms, and said that the new forms had been well received.²⁹⁰

244. Despite these improvements, however, we received evidence on the persistent complexity in letters sent out to claimants. John Wheatley of Citizens Advice said:

²⁸⁴ Q 330

²⁸⁵ Oral evidence taken by the Work and Pensions Committee on 15 January 2007, HC (2006-07) 218, Q 91

²⁸⁶ Oral evidence taken by the Work and Pensions Committee on 15 January 2007, HC (2006-07) 218, Q 92

²⁸⁷ Q 289. See also Ev 113, paras 4.20-4.23

²⁸⁸ Q 93

²⁸⁹ Q 38

²⁹⁰ Q 224

“I have been discussing with DWP and its predecessors the need to improve the quality of basic letters since I was a much younger person, and I have grown old in the process really. It is constantly thrown back at you that there are legacy systems which limit their ability to change the way they communicate with clients. I regularly see letters that are sent to clients ... They are automatically generated; there is no human being involved in the process of looking at them, and that, I think, is something which does need to change.”²⁹¹

245. Disability Solutions suggested that there was a particular problem with the annual uprating letters for Income Support, which did not include a breakdown of benefit entitlement for the April uplift.²⁹²

246. We heard evidence in Leeds to suggest that the quality of written communications varied between executive agencies. The Committee was told by The Pension Service (TPS) that through the Transformation Programme, TPS were trying to:

“weed out some of that complexity in the letter writing, and the pensions Transformation team are looking critically at the letters that are produced from our legacy systems with a view to putting them in the front end, which is our customer account manager, and simplifying the letters that go out through that medium.”²⁹³

247. When Alexis Cleveland, Chief Executive of the Pension Service, gave evidence, she explained that this process was not an easy one, saying “I cannot promise ... a quick fix, though we have been looking to try and improve this”;²⁹⁴ Janet Grossman, Pension Service Operations Director, added that around 26% of ‘failure’ calls related to letters claimants did not understand.²⁹⁵

248. Steve Devereux of Jobcentre Plus explained that its systems were not so advanced as those in the Pension Service:

“There is not as much flexibility. When a processor pushes the button to finalise a claim a letter is generated 200 miles away. That processor cannot necessarily suppress that letter, so there is a bit of a one-size-fits-all”²⁹⁶

249. The Committee was given examples of letters which did not make sense:

Case study: “I saw one just recently: an 81-year-old woman who received a five-page letter about Pension Credit weeks after the death of her husband. It had about 50 different sums of money in the statement and was just completely untransparent, even to a CAB adviser. I doubt whether a pension credit expert would have fully

²⁹¹ Q 93

²⁹² Ev 84

²⁹³ Q 248

²⁹⁴ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799, Q 27

²⁹⁵ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799, Q 28

²⁹⁶ Q 249

understood it, yet letters like that are going out without being seen by anyone.” [John Wheatley]²⁹⁷

“I saw a letter the other week asking the claimant for a medical certificate and it was four pages long. It was four pages long because it had been taken from a letter which had obviously been used pre automated letters, there were a number of options and the person sending the letter ticked the right box. It had gone into the computer but the letter form had not been changed. I think the DWP is working all the time on that sort of thing, but there is still progress to be made. A four page letter to ask for a medical certificate is not helpful. It also said, in the first line, We have ticked the box that applies to you, and then there was a cross in the box, because the computer obviously finds it easier to cross than to tick.” [Sue Royston]²⁹⁸

250. When asked about this the Minister conceded:

“I have asked to see a range of these letters myself and I am very interested in how they are being rewritten because I want to make sure they are as comprehensive as possible to our customers. Next month, as I say, Jobcentre Plus will begin a comprehensive review of all the computer-generated correspondence, because the objective is clear, that we want the letters to be comprehensible for our customers, and they are not all at the moment.”²⁹⁹

251. When we sought further information on the timetable we were told by DWP that “A project will be established within Jobcentre Plus in summer 2007 to review system generated notifications. The review is expected to be completed by March 2008.”³⁰⁰

252. We welcome the Minister’s interest in the quality and comprehensibility of computer-generated letters, and the news that Jobcentre Plus is to begin a review of its correspondence, which has been the subject of much criticism during this inquiry. This review must lead to an action plan to improve the quality of these letters, and the action plan should be forwarded to us.

Statements of entitlement – bringing it all together?

253. Sue Royston explained:

“I do think that the DWP wants to move towards some of this; for instance, the idea of an entitlement record. They are moving towards something like that, and it would be very helpful. In the past when somebody came in, the claimant used to get out their order book; you would look at the order book and you would see exactly what they were on. Often now, claimants do not know what benefits they are on: there are so many and they are so confusing. That leads to problems in all sorts of ways, in

²⁹⁷ Q 93

²⁹⁸ Q 42

²⁹⁹ Q 364

³⁰⁰ Ev 232

underpayments and overpayments, as a result. It would be an entitlement record so that the claimant could see the entire financial package they are on.”³⁰¹

254. Other witnesses agreed that an overall assessment of entitlement was crucial, for example John Wheatley of Citizens Advice, who noted “you do not have an order book any more, you do not have any regular, simple statement of what you are getting, and I think that really misses a trick.”³⁰²

255. The Minister’s view of Sue Royston’s proposal was that it had “real potential. Obviously, it is subject, again, to having the right IT platforms in place to support it, all the necessary safeguards, the protection of the data, all those things you would expect.”³⁰³

256. We agree with the Minister that Statements of Entitlement are the right way forward, replacing an important piece of information for claimants that disappeared when Order Books did. DWP should work to implement this measure as soon as possible, as part of the wider ‘my DWP’ project.

Limitations of masking and shielding

257. In America it was made very clear to us that “masking” or “shielding” claimants from complexity, whether through advice, new IT systems, or reworded letters, has its limitations. One of the experts we spoke to explained “It’s the rules, stupid”; saying that if the system was very complex, even if some of this complexity could be masked, there would still be problems with IT and for staff.

258. Christine Dawes of the Pension Service echoed this when she gave evidence in Leeds:

“As much as we would like to make it [the process for claimants] streamlined sometimes that is not possible because of the complexities of some of the items that we need to get through to [claimants].”³⁰⁴

259. Similar points were made by Steve Devereux from Jobcentre Plus:

“The complexities we can shield the customer from to some degree but customers have the right to transparency in the claim and if there are complications then we need to be able to explain those.”³⁰⁵

260. Dr Paul Dornan from CPAG agreed, noting that “back-room complexity, if it is totally unmanageable, undoubtedly creates front-room problems for people and for families”.³⁰⁶ Citizens Advice summed up the arguments very well:

“It is possible to argue that the system could be as complicated as it wanted to be, provided it was administered correctly, and that people using the system were not

³⁰¹ Q 35

³⁰² Q 93

³⁰³ Q 341

³⁰⁴ Q 217

³⁰⁵ Q 221

³⁰⁶ Q 141

expected to understand the system, and experienced it as simple in terms of the outcomes for, and communications with, them. This view however ignores the important role of advice and awareness of benefit entitlement, and the need for a system that is capable of being successfully administered.”³⁰⁷

261. We asked the Minister about what he thought the limits of masking were, and he replied:³⁰⁸

“you need to unbundle that concept of complexity and, as I say, I think a priority for us is to see it from our customers’ point of view, but also I have been at pains to say that we have no interest in having a benefits system which is so complex that our staff cannot administer it.”

262. DWP must put the claimant at the heart of the simplification process, and it is clear that there is much potential for improving the customer experience – and internal DWP processes – without changing the rules. We welcome the work done by DWP to date on this, particularly the Lean Pathfinders. However, it is not enough to rely on ‘masking’ complexity; there is a need to go further and address the rules of the different benefits and the structure of the system itself. We explore this in the later sections of this report.

³⁰⁷ Ev 213, para 23

³⁰⁸ Q 363

5 Future simplification: incremental change

263. During our inquiry, we examined the progress that the DWP has made towards simplifying the benefits system and we welcome the Minister's assurances that further changes are planned in the coming years. He noted:

“You will know that in 2008 there is a big reform of Housing Benefit coming, in respect of tenants in the private sector, with the introduction of Local Housing Allowance. I think that also contributes towards [...] simplification [...] When we do that we are making the change to the disregard for income from sub-tenancy; that is happening. I have mentioned already the Employment and Support Allowance coming in, in 2008. I have mentioned already, in 2009, the alignment of payment periods. As further work goes forward in other areas of benefit, as we proceed with reform, we will also be able to contribute further towards simplification, in the way that those reforms already announced have done.”³⁰⁹

264. The DWP Report *Getting Welfare Right* stated “some benefits can have different rules for similar events; for example, the day on which benefit is paid can differ between benefits. We will try to align these rules, paying careful attention to the balance between the need for simplicity and a reduced level of error and the impact further legislative change may have on our customers and the benefits system.”³¹⁰

265. In light of the persistent obstacles that complexity can generate, we examined what further incremental changes the Government can make in order to achieve gradual simplification of the benefits system.

Alignment of rules and time periods

Capital limits

266. In April 2006, capital limits for means-tested benefits went up, the first increase for most people since 1990:

³⁰⁹ Q 369

³¹⁰ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007

Table 2:

Capital limits (as of April 2006)			
Benefit	Lower Limit	Upper Limit	Tariff or deemed income
Income Support (IS), income based Jobseekers Allowance (JSA)	£6,000	£16,000	£1 per £250 or part thereof between amount of capital upper limit
Housing Benefit (HB), Council Tax Benefit (CTB) (no upper limit for those getting Pension Credit guarantee credit)	£6,000	£16,000	£1 per £250 or part thereof between amount of capital disregard and capital upper limit Claimant or partner aged 60 or over: £1 per £500 between lower and upper limit
Pension Credit (PC)	£6,000	No upper limit	£1 per £250 between lower and upper limit
Living in a care home			
IS, income based JSA	£10,000	£16,000	£1 per £250 between lower and upper limit
HB (no upper limit for those getting PC guarantee credit)	£10,000	£16,000	£1 per £250 between lower and upper limit Claimant or partner aged 60 or over: £1 per £500 between lower and upper limit
PC	£10,000	No upper limit	£1 per £500 above lower limit

Source: Table compiled using information from Child Poverty Action Group's Welfare benefits and tax credits handbook 2007/2008

267. The table illustrates the alignment of capital limits for means-tested benefits. The upper limit for Income Support and income-based Jobseeker's Allowance went up from £8,000 (£12,000 for those aged 60 or over) to £16,000, bringing it in line with Housing Benefit and Council Tax Benefit. The lower limit went up from £3,000 to £6,000 for claimants aged under 60, bringing it up to the same level as those aged 60 or over. The limits for people living permanently in a care home remained the same.

268. Sue Royston, as we noted earlier in this Report, welcomed the changes to capital rules.³¹¹ However, she also suggested that the Department had a considerable distance to travel if it was to address the inherent complexity of existing benefit rules and time periods.³¹²

³¹¹ Q 9

³¹² Q 17

269. The need to align rules and time periods in order to reduce complexity in the benefits system is not a new concept. The NAO report into benefits complexity suggested that “horizontal interfaces”³¹³ give rise to complexity when different benefits addressing the same client group are administered in different ways, either by the same or different agencies. For example, complexity manifests itself in different paydays for different benefits, the calculation of entitlement to benefits over different periods, the different frequencies of payment, and through the requirement to report changes of circumstances at different times for benefits and Tax Credits, reflecting the different periods for which payment is assessed.

Students

270. Despite the historic nature of this debate, witnesses to this inquiry frequently proposed that further alignment of rules, including definitions of work, would represent a significant move towards simplification. Disability Alliance highlighted the particular anomalies that exist in the rules for students who claim benefits. Paul Treloar suggested to us:

“there are opportunities to go back to first principles and align some of the certain, basic definitions, and how they work around work and students’ earnings, some of these kind of things, because there are variations across benefits which we struggle to understand, let alone the staff who are working there and let alone the people who are actually trying to claim the benefits. Students is a good one: the miasma of rules around support for a part-time student across the benefits system is staggering really. If people are going to be encouraged to go and study, it would make much more sense if there were certain basic definitions. We do not understand exactly why there are such wide differences across benefits. It would make sense, we think, if discrete areas were addressed in some of those issues.”³¹⁴

Backdating, common paydays

271. Paul Dornan from the Child Poverty Action Group highlighted the different rules for backdating:

“As a very quick example, I am told that there are four different rules for backdating. Four different rules sounds a bit excessive to me, particularly given the difficulty of interpreting those different rules in different cases.”³¹⁵

272. John Wheatley of Citizens Advice told us:

“moving towards two weeks and getting rid of the double-dating rule on forms whereby the claim will start from the date the Disability and Carers Service receive it back, which might seem simpler but it is going to have unintended consequences for claimants who will not be able to get advice, for example, before putting their claim

³¹³ National Audit Office, *Department for Work and Pensions: Dealing with the complexity of the benefits system*, HC (2005-06) 592

³¹⁴ Q 90

³¹⁵ Q 136

in so easily. Other things, like common paydays, might move in the right direction.³¹⁶

273. Sue Royston's report noted that this was a problem:

“There are many different rules governing backdating. Generally in order to claim backdating of a means tested benefit (apart from PC and TCs) the customer needs to show good cause why the claim could not have been made at an earlier stage.

What counts as good cause is different for different benefits. Finding a way through the complexities of what will count as good cause in the various benefits is difficult and time consuming for customers and the staff administering the benefits. It makes a particularly complex situation when entitlement to one benefit follows the award of a qualifying benefit.”³¹⁷

Earnings Disregards and part-time work

274. There are various different rules which determine how much income a person can earn whilst they claim benefits:

Table 3:

Earnings disregards in income related benefits – current rates	
£	Rate
Standard earnings (single)	5.00
Couples earnings	10.00
Disabled, or carer	20.00
Lone parent (not HB/CTB)	20.00
Lone parent (HB/CTB only)	25.00
HB/CTB 16 to 30 hour disregard	15.45
HB/CTB childcare disregard one child	175.00
HB/CTB childcare disregard two+ children	300.00

Notes: 1. The first three disregards apply to all income related benefits; 2. There are different lone parent rates for housing benefit (HB) and council Tax Benefit (CTB); and 3. The last four disregards apply to HB and CTB only.

275. The impact of earnings disregards on different groups was brought to our attention during our inquiry into Incapacity Benefits and Pathways to Work.³¹⁸ As the table above shows, for people on Income Support and/or disability benefits, there is a maximum weekly earnings disregard of £20. On the current minimum wage, this equates to less than four hours a week.

³¹⁶ Q 108

³¹⁷ DWP, *Benefits Simplification and the Customer*, Sue Royston, February 2007, p 97

³¹⁸ Third Report of Session 2005-06, *Incapacity Benefit and Pathways to Work*, HC 616

276. During the inquiry, Disability Alliance told us:

“It is incongruous if one year someone can do a certain number of hours a week and keep a certain level of earnings but be unable to do the same the following year. This is exactly the position disabled people have found themselves in with the recent increase in the minimum wage.”³¹⁹

277. Submissions questioning the complexity of disregards arrangements were also received from Judy Scott and Community Links.³²⁰

278. In its 2006 annual report, SSAC concluded that complex earning disregards, particularly for Housing Benefit “must be worth consideration in any radical reform of the benefit, and when looking at ways to ease the ‘benefits trap’ in the short-term.”³²¹

279. In a research report for DWP, Jane Millar concluded that the rules for part-time work and for the earnings disregards increased complexity because “the rules vary for different groups of claimants and for different benefits”.³²² The research concluded:

“Working part-time while receiving means-tested benefits is possible but in practice is restricted by the level of earnings disregards (the amount that is ignored when benefit entitlement is calculated) and by rules which limit the number of hours that claimants and their partners can work. The level of earnings disregards has not been increased by much in recent years. The hours rules for claimants of the major means-tested benefits restrict them to work of less than 16 hours per week and their partners to less than 24 hours per week.”³²³

280. In addition to earnings disregards, there are rules that apply specifically to people who are defined as incapable to work, which allow permitted work providing it falls within certain parameters.

281. Permitted work is any kind of work which a claimant who is assessed as incapable of work can do:

- As part of a treatment programme done under medical supervision whilst a claimant is in hospital or regularly attending hospital as an outpatient, as long as they do not earn more than £86 a week
- For an unlimited period, as long as the claimant does not earn more than £20 a week (known as the permitted work lower limit)
- For an unlimited period, as long as the claimant does not earn more than £86 a week and they are in ‘supported work’ (known as supported permitted work)

³¹⁹ Third Report of Session 2005-06, *Incapacity Benefit and Pathways to Work*, HC 616

³²⁰ Ev 98 and Ev 203

³²¹ Social Security Advisory Committee, Nineteenth Report, August 2005 - July 2006

³²² DWP Research Report No. 351, *Part-time work and social security: increasing the options*, 2006

³²³ As above

- For up to 52 weeks (or indefinitely in some circumstances, such as if the claimant is exempt from the personal capability assessment) as long as they work an average for less than 16 hours a week and do not earn more than £86 a week (known as the permitted work higher limit)³²⁴

282. We welcome the changes to rules and time periods the Government has made so far, but during our inquiry we have received evidence to suggest that amendments have not gone far enough. In order to achieve simplification priority should be given to alignment of rules for different benefits, including means-tested benefits. We recommend that the Government recognises this and outlines its intentions on alignment over the next five years, together with reasons for areas of inaction.

Rules for reporting changes of circumstances

283. In order to ensure that the full value of means-tested benefits is realised, it is important that the Government is able to target its financial assistance as accurately as possible. It must aim to strike a fine balance between sensitivity to need and unobtrusiveness. When circumstances change but go unreported this can negatively impact levels of customer error. DWP recently acknowledged this:

“At the moment it can be difficult for customers to find clear and concise information about what, when and how to report changes in their circumstances. This causes unnecessary confusion and results in customers not providing important information to the Department.”³²⁵

284. The rules for changes of circumstances are not the same for all benefits and from a claimant’s perspective, understanding what and when you should report changes can be difficult, as we show below.

Means-tested working-age benefits³²⁶

285. When an Income Support or Jobseeker’s Allowance claimant’s circumstances change – for example their average weekly working hours change or they are now getting regular overtime – this must be reported immediately to DWP.

286. Incapacity Benefit (IB) is normally awarded for an indefinite period, unless a claimant’s circumstances are likely to change shortly after the award. In order for payment of IB to be stopped or adjusted, the decision on entitlement must first be revised or superseded and there a number of rules governing such decisions.

³²⁴ Adapted from *Welfare benefits and tax credits handbook 2007/2008*, Child Poverty Action Group

³²⁵ DWP, *Getting Welfare Right: Tackling error in the benefits system*, January 2007

³²⁶ Based on information given in Child Poverty Action Group’s *Welfare benefits and Tax Credits handbook*, 2007/2008

Housing Benefit and Council Tax Benefit³²⁷

287. Claimants of Housing Benefit must report any change in circumstances that might affect their claim promptly in writing to the office handling their claim (unless an individual's circumstances exempt them from this requirement). In the rules for Council Tax benefit, the reporting structure is the same, although claimants can report changes over the telephone if their local office provides a telephone claim line.

288. For the purposes of Council Tax benefits claims, individuals do not need to notify any changes in rent or tell the local authority the amount of council tax they pay. However, if a claimant receives a second adult Council Tax rebate, they must give written notice of any changes in the number of adults living in their home and any changes to their gross income.

289. If a claimant is also in receipt of Pension Credit, they must report: any change to their tenancy, apart from changes in their rent if they are a local authority tenant; any changes affecting a non-dependent normally living with them or with whom they normally live; any absence from their home which is, or is likely to be, for more than 13 weeks.

Tax Credits³²⁸

290. Although Tax Credits are part of HMRC's remit, it is worth noting that the reporting structure for changes of circumstances is different again. Tax credit awards are initially calculated with respect to the previous tax year's annual gross income. The award runs for up to the next 12 months, with an annual renewal at the end of the tax year. Recipients are required to report certain specified changes in circumstances to HMRC - in which adults head the family, in discontinuing or significantly reducing the cost of childcare - during the period of an award. Families can choose to report other changes (e.g. children leaving home, change in usual hours of work) but they are not required to do so until the end of the tax year. However, changes increasing entitlement must normally be reported during the year, because any associated adjustment to the award will only be backdated for up to three months before the date the change is notified, and many problems have been associated with delayed reporting of changes decreasing entitlement, with a large number of families later struggling to repay overpayments.

291. The consequences of the retrospective annual reporting structure was examined as part of the Public Accounts Committee's recent inquiry into Tax Credits and has not been considered in this report. The Public Accounts Committee concluded that "a system of annual awards based on circumstances which often change inevitably results in a substantial amount of overpayments."³²⁹

³²⁷ As above

³²⁸ As above

³²⁹ Committee of Public Accounts, Twenty-second Report of Session 2006-07, *Tax Credits*, HC 487, May 2007, para 2

Fixed awards?

292. A number of witnesses to this inquiry commented on the frequency with which claimants are required to report changes in circumstances. Janet Allbeson from One Parent Families suggested that the system which administers Housing Benefit did not have the capacity to manage the sheer number of times that a claimant's circumstances may change:

“If I can make one extra point on change of circumstances, for policy design, frequently they have a model person who is fairly static. The models do not take on board how swiftly people's circumstances change, particularly those of working age. Tax Credits made that mistake, Child Support has made that mistake. The systems just cannot cope with it. Housing Benefit cannot cope with it. In a sense, it is modelling systems around real live claimants. It may be one method would be more fixed awards to give some stability, but certainly a customer-focused, client-centred view has to recognise how complex people's lives are and how they change.”³³⁰

As a solution she proposed:

“more consideration of fixed awards as a quick hit [for simplification], Housing Benefit, say, six-monthly [...] I think these fixed awards are worth considering, because it is not just about income; it is also about security of income; that is something that people worry about.”³³¹

293. The DWP Report *Getting Welfare Right* stated that the Department was looking at making it easier for claimants to report changes of circumstances, as we have already noted in the section on the claimant experience, but its strategy was clearly focussed on publicising the procedures and administrative arrangements rather than changing the rules.

294. Recent performance in Housing Benefit has been particularly poor, with indicators of official error rates increasing by 40% between the 2002-03 baseline and 2005-06, and customer error increasing by 79%. In a note to the Committee the Department explained that “the vast majority [of customer error] is attributable to a failure to declare changes at all or to declare them too late to prevent an overpayment occurring.”³³²

295. We agree that claimants should expect to report changes in their circumstances to the relevant agency. However, witnesses have made a strong case for the Government to examine the frequency with which claimants must fulfil this expectation. We therefore recommend that the Government undertakes a systematic review of the rules for reporting changes of circumstances and the impact of existing reporting periods, particularly for Housing Benefit.

³³⁰ Q 138

³³¹ Q 146

³³² DWP, *Departmental Annual Report 2007*, para 167

The impact on claimants of different uprating measures and the consequences for poverty eradication

296. The Joseph Rowntree Foundation (JRF) argued that the various measures used to uprate different benefits are themselves significant causes of complexity:

“Regimes for different benefits and Tax Credits vary from increasing in line with earnings to not increasing at all, with at least five variants, as shown in the following table:

Table 4:

Current uprating “default” basis	At least in line with average earnings	Inflation or £2 a week, whichever is higher	RPI inflation	RPI excluding housing costs	No increase
Examples	Pension Credit guarantee element and Child Tax Credit child element	State Retirement Pension	All contributory benefits and some non-contributory ones including Child Benefit	Income Support, Jobseekers Allowance, Housing Benefit, Council Tax Benefit	Child Tax Credit family element, income disregard for Working Tax Credit

Source: Joseph Rowntree Foundation memorandum (Ev 157)

297. JRF suggested that the use of different measures to uprate benefits can mask income inequalities of benefit claimants, particularly where the benefit they claim rises in line with prices as opposed to earnings, noting:

“Where benefits are uprated in line with prices rather than earnings, this may mean only foregoing a 2% rise in a single year, but potentially a 50% rise in a generation. Indeed, over the past 25 years, relative poverty has deepened in large part because basic benefits (e.g. the single rate of Income Support/Supplementary Benefit) were as much as 40% lower, relative to earnings in 2006 than in 1981.

“A simplified benefits system may potentially reduce these anomalies. A current JRF project based at the University of Essex is looking into the implications of different systems of benefit uprating, modelling various options and making international comparisons. To a large extent, differential uprating policies may be seen as a method of gradually restructuring entitlements over time without creating too much disruption to the system, but if so there is a case for making these decisions and the rationale for taking them more explicitly.”³³³

298. We recommend that, following the publication of the Joseph Rowntree Foundation’s research into different systems of uprating, the Government undertakes an assessment of the impact on claimants of different uprating measures and the consequences for poverty eradication.

³³³ Ev 157, para 16-17

Automatic payment of benefits

299. The onus to register entitlement currently rests with the claimant; there are complex rules governing the point at which a claim is deemed to be made and the subsequent periods in which claims can be backdated. Help the Aged suggested that radical reform of the payment process for benefits could overcome the costly impact of error and encourage more individuals who are eligible to claim benefits they are entitled to. It argued that a system of automatic benefits payments:

“would simplify the front end of benefits delivery effectively meaning that claimants would be shielded from much of the complexity. Only radical change like this will ensure that complexity in the system does not mean people missing out on the help they need.”³³⁴

And added:

“The system would take the onus off the individual to behave as an active citizen when claiming benefits. Instead people would be proactively informed of their entitlements without having to lift a finger. This would reach people who hadn't heard about benefits, those who hadn't got around to making an application and even those who had thought benefits weren't for them. For people who are very hard to reach because they are particularly isolated or perhaps face language or cultural barriers in accessing benefits this service could have a huge impact.”³³⁵

300. The Pension Service Solution Centre in Glasgow has looked at the feasibility of automated payment of Council Tax Benefit, with positive results. Help the Aged suggested that this could be extended to cover the benefits system more widely. It said:

“Central to the solution of paying people Council Tax Benefit automatically would be the use of predictive analytics. To begin with, data on individuals' incomes would need to be compiled from data Government already holds. Then, for those who fell into the bracket of being potentially eligible for benefits, data would need to be compiled on their savings. HMRC and the Treasury receive year end returns from banks and building societies on the amounts of interest paid on individual's accounts. It would be necessary to use these returns in order to reverse generate a savings figure for each person based on a standard rate of interest. The savings figure could then be matched to the income allowing an assessment to be made of whether the person would be eligible for Council Tax Benefit. This profile could then be passed to local authorities to process. There are a number of ways the application could then be taken forward ranging from light touch to asking people for a full range of proof to back up the data profile. The approach taken would depend on how Government and local authorities wish to handle risk.”³³⁶

301. Alexis Cleveland, Chief Executive of the Pension Service, told us that more could be done to improve the system of payments being used in the Pension Service:

³³⁴ Ev 174, para 34

³³⁵ As above

³³⁶ Ev 174, para 34

“What we are working on – and this has not yet been finalised – is that there is no reason, once we have that information, if we can do the same for Housing Benefit and Council Tax Benefit as we have done for State Pension and Pension Credit, and change the legislation so that you no longer need a signature – because we will have that call recorded, we will have the information for that – we could then send the information direct to the local authority. The evidence we have so far is that, even when we send out all the data to the customer and all they have to do is sign it and put it in the envelope and post it off, up to 50 per cent of people do not.”³³⁷

302. We recommend that the Government publishes the findings of the Pension Service Solution Centre project into automatic benefits payments and examines the feasibility of introducing automatic claims and payments to other parts of the benefits system.

Introduction of the Employment and Support Allowance (ESA): Implications for the Customer Account Management System (CAM) and the Customer Management System (CMS) IT systems

CAM and ESA

303. We examined the contribution that IT systems have made to benefits complexity in terms of system design and administration, and we heard evidence from witnesses who were concerned that the Pension Service’s CAM system, which is the model on which the new Employment and Support Allowance system will be based, may be unsuitable.

304. In his Draft Report seeking authorisation for spending on the Employment and Support Allowance IT system before Royal Assent to the Welfare Reform Bill, the then Secretary of State for Work and Pensions, the Rt Hon John Hutton MP, said:

“Jobcentre Plus, in consultation with the Department’s Director General for Information Technology, has considered options for developing the IT system to support ESA. As a result, and subject to a more detailed design review, Jobcentre Plus recommends basing the system on The Pension Service’s Customer Account Management System (CAM) (which is based on Siebel, the Department’s preferred product for handling customer contact) and linking this to a modified Jobseeker’s Allowance Payment System (JSAPS). This would mean that the development will be similar to the one used to deliver Pension Credit successfully in 16 months from Royal Assent to A-Day (the day from which the Department will start to deliver ESA to new customers).”³³⁸

305. However, Tom Penn from the Public and Commercial Services Union (PCS) was not optimistic about the chances of successful roll-out of the Customer Account Management System to accommodate Employment and Support Allowance. He pointed to the current underperformance of the Customer Account Management system:

³³⁷ Uncorrected transcript of oral evidence taken before the Work and Pensions Committee on 27 June 2007, HC (2006-07) 799, Q 44

³³⁸ Welfare Reform – To make provisions about social security; to amend the Vaccine Damage Payments Act 1979; and for connected purposes. Report by the Secretary of State for Work and Pensions Under section 82 of the Welfare Reform and Pensions Act 1999. DWP, November 2006

“If there is any variation, for example, a mortgage or an occupational pension, then the CAM cannot deal with that and the claim has to be taken off and built on the legacy systems. The details that have been reported to me today were that up to 80% of claims are not doable end to end on CAM. Those are the figures that are given to me. If that is the case I am less than optimistic of it being rolled out across Jobcentre Plus where there is perhaps not as much variation but there is still a lot of variation. From a PCS perspective we are doubtful that the system as it stands could be rolled out without severe damage to the payments system.”³³⁹

306. We were disappointed to learn of the problems being experienced in the operation of the Customer Account Management System. We are particularly concerned about the implications this may have for the introduction of Employment and Support Allowance, which will operate using this model. We recommend that the Government urgently investigates these issues in order to avoid the IT problems that have been associated with DWP systems in the past.

The future of CMS

307. Release 3 of the Customer Management System went live on 31 October 2005 and so far it appears that the replacement system has overcome the problems of its predecessor models. In answer to a House of Commons written question, Jobcentre Plus Chief Executive, Lesley Strathie, explained that CMS 3:

“ha[d] been driven by user feedback and introduced a number of enhancements that make the process easier to follow and reduces the opportunity for error and the subsequent need for re-work. The enhancements to CMS Release 3 have been well received by staff.”³⁴⁰

308. The Committee was told by Tom Penn from PCS that the Union had not received any significant complaints from its members about the system’s operation.³⁴¹

309. We commented on the failure of previous CMS models during our inquiry into the Efficiency Savings Programme in Jobcentre Plus in 2005. We concluded that there had been a significant amount of wasted spending on CMS given that the system very quickly required redevelopment following its introduction.³⁴²

310. During our evidence session with the Minister and the Divisional Manager for Benefit Reform, Brendan O’Gorman, we learned that once ESA has been introduced, it is likely that the DWP will replace CMS:

“My understanding is that ESA will use a system for gathering information from the customer which is used already in the Pension Service. It is a rather better system than CMS, it is more intelligent, it helps our operative to know what we know

³³⁹ Q 272

³⁴⁰ HC Deb, 21 November 2005, col 1674W

³⁴¹ Q 227

³⁴² Work and Pensions Committee, Second Report of Session 2005-2006, *The Efficiency Savings Programme in Jobcentre Plus*, HC 834, para 172

already about the customer from system records which we possess already, and ultimately we would be using that along with the other benefits administered by Jobcentre Plus. It will take time to introduce, and perhaps what the Committee was hearing was that there will be a period of incompatibility, but ultimately we are looking towards an improved system of gathering information from the customer which will be compatible across the piece [...] CMS will be replaced, as I understand it.”³⁴³

311. The Committee asks that the Government provide a clear rationale to explain its future plans for the Customer Management System and considers the impact of the serial introduction of short-lived IT systems on the administrative complexity of the benefits system.

Can incremental change increase complexity?

312. We noted in an earlier section of this report that there appears to be a lack of overarching strategy in DWP for simplification. Paul Treloar from Disability Alliance made the point that there were real risks to a piecemeal approach:

“We do think there is an absence of any high-level strategy co-ordinating this, and I think the piecemeal approach increases complexity each time. Sometimes, for example, the Benefit Simplification Unit will make changes to one particular aspect of the benefits system which can have unintended consequences on other parts. John mentioned the linking rules earlier on, where the linking rules have been extended for Incapacity Benefits to 104 weeks now, but there is a remaining Housing Benefit linking rule which does not fit the same model. Each time one change is made, it seems to pick up another one that needs to be made.”³⁴⁴

313. As part of its report, NAO examined incremental changes to the benefits system and concluded that:

“the incremental addition of regulations and their interaction with current ones can add to the complexity. Individually, they may make sense, but the cumulative effect can be to create overlaps and ultimately confusion for some.”³⁴⁵

314. We recommend that the Government do more to ensure that incremental simplification measures do not have unintended consequences for different parts of the benefits system. Just as policy proposals for benefits are now channelled through the Benefit Simplification Unit to assess their impact on complexity, the Committee recommends that proposals for simplification undergo a similarly vigorous impact assessment process.

³⁴³ Qq 342-343

³⁴⁴ Q 107

³⁴⁵ National Audit Office, *DWP: Dealing with the complexity of the benefits system*, HC (2005-06) 592, p 8

6 Future simplification: fundamental change

315. Much of the evidence we received gave examples of where the simplification of specific parts of the benefits system could make the claim process and administration of the system easier to navigate and the value of this sort of reform is set out in the previous section.

316. In our terms of reference we did not specifically seek views on long-term or fundamental change to the benefits system. However, we were aware that the Green Paper and the Freud report had both raised radical reform, in the form of a possible ‘single system of benefits’ as something that Government should investigate further. We were interested therefore in witnesses’ views on this issue. However, it was not surprising that few witnesses were able to discuss this in any depth. Many asked what a single benefit system might look like because they had not seen any proposals and were understandably cautious in their responses.

A “single system of benefits” or a single working age benefit?

317. The Government first proposed a “single system” of working age benefits in its Green Paper on welfare reform, which stated:

“We consider that there may be advantages in moving in the longer-term towards a single system of benefits for all people of working age, with appropriate additions for those who have caring responsibilities and those who have long-term illness or disability.”³⁴⁶

318. Since the Green Paper, the debate about how this system might operate has intensified. We heard a number of different views on what a single system might mean in reality. In his independent report, David Freud set out his proposals and recommendations to Government on how it might move towards this single system. The Government intends to respond to these proposals in the summer.

David Freud’s suggestions for benefit reform

319. Building on the Green Paper, David Freud proposed three options for a “single system” of working age benefits, which were:

“As now, different benefits and benefit levels to reflect different circumstances, based on one common rate (Income Support personal allowance);

a single benefit with a single rate [with additional premiums if appropriate]

³⁴⁶ DWP, *A new deal for welfare: Empowering people to work*, January 2006. Chapter 7, Para 3.

a single system with two rates – a basic rate and a long-term rate”³⁴⁷

320. Freud highlighted the inherent complexity in the first option but accepted its adeptness at providing a safety net for all who need it and targeting assistance for those who need it most. He argued that this model does not necessarily concur with the Government’s rights and responsibilities agenda because its design may encourage people to move between benefits and away from the labour market.

321. Freud concluded that the second option:

“would be straightforward for the State and the individual, would send clear messages about entitlement and would remove incentives to move between benefits. It would support poverty objectives and need not create an ‘unemployment trap’, as long as either the benefit is set below 16 hours at National Minimum Wage or is supported by in-work Tax Credits.”³⁴⁸

322. However, he suggested that this option may come at significant financial costs, and could create disincentives to work (depending on the rate at which the benefit is set). If the impact was to increase the average duration on JSA by just five days, Freud estimated that this would create an additional annual cost of approximately £200 million.³⁴⁹

323. Freud’s third option “would be somewhere between the status quo and a single benefit with a single rate.”³⁵⁰ This model would have a common short-term and long-term rate. Freud’s report highlighted the fact that:

“the adverse work incentive impact could still be significant. Financial work incentives for lone parents tend to be weaker than for most people, and this would weaken them further. The perverse incentive would be to remain out of work once one was through the twelve month hurdle, and affect that could only be partially mitigated by linking rules.”³⁵¹

324. Freud concluded that before any decision can be made, detailed modelling of the options should be undertaken. However, he commented:

“There is a strong case for moving towards a single system of working age benefits ideally a single benefit, in order to better support the Government’s ambition of work for those who can and support for those who cannot.”³⁵²

325. The Government has yet to respond to Freud’s report but in a supplementary memorandum to this inquiry, DWP said one of the Benefit Simplification Unit’s priorities over the next year will be:

³⁴⁷ David Freud, *Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions*, 2007, p 100

³⁴⁸ As above, p 101

³⁴⁹ As above, p 102

³⁵⁰ As above, p 102

³⁵¹ As above, p 102

³⁵² As above, p 9

“To assist colleagues within the Benefit Reform Division in the development of ideas for a single income replacement benefit for people of working age.”³⁵³

A “single system of benefits”

326. Despite the comment in the DWP memorandum about the BSU’s future priorities, the Minister was careful to emphasise that a ‘single system of benefits’ did not equate to a ‘single working age benefit’. He told us:

“I think there is a distinction here between single benefit and single system of benefits and we are talking about a single system of benefits, benefits plural, so you are going to have different benefits, as we have at the moment. The reason we are talking about a single system of benefits, I would describe it as a coherent family of benefits, is that the pieces all fit together. They may be different benefits, to respond to different needs and different sets of circumstances, and they may have different foundations to them, but they need to be cohesive as a system so that people do not fall between the cracks between different benefits, we can move them from one to the other, find it a fairly seamless process, and people who are in receipt of more than one of them and are not having to deal with differences in the process which are not necessary, that is what I understand by creating the system of benefits; quite a different matter from a single benefit.”³⁵⁴

327. We questioned the extent to which the long-term goal that the Minister described was in any way different from the existing benefits system but we did not receive clarity on this distinction.

Natascha Engel: How does that differ from what we have at the moment; do we not have a single system?

Mr Plaskitt: The whole reason why I think that you are having this inquiry and why we are having so much work done on the process of simplification is that, at the moment, yes, there is a family of benefits but they do not fit well together necessarily; that is the whole point. That is why we are looking at all the things which are on the agenda of the Simplification Unit, and it is why we subject every reform that we are taking forward to the test is it contributing towards simplification, precisely to try to bring the system into greater coherence than it has at the moment; that is what informs this whole process.”³⁵⁵

328. In January 2007, the then Minister for Employment and Welfare Reform, Jim Murphy, gave a speech on the future of benefit delivery, prior to the publication of Freud’s report in March. Referring to the concept of a single working age benefit, he said:

“I believe this is one of the most crucial questions for the future of benefit delivery over the next ten years. The potential of a radically simpler benefit system is

³⁵³ Ev 134

³⁵⁴ Q 379

³⁵⁵ Q 380

unquestionable – but we have to ensure, in reaching for that goal, that we maintain the flexibility within that system to tailor welfare to the specific needs of individuals.”³⁵⁶

329. We accept that the Minister did not wish to pre-empt the Government’s response to the Freud review during our evidence session but we were very disappointed that he could not present a clear long-term vision for the simplification reforms of the benefits system or comment on the principle of a single working age benefit. This was particularly the case given that discussions about the possibility of a single working age benefit pre-date the Freud review on the Government’s policy agenda.

A single working age benefit

330. Freud’s inclination towards a single working age benefit has yet to be backed up by the robust modelling which he suggests is required before moving forward. The lack of any substantial research into the feasibility of introducing a single benefit to the UK was reflected in the fact that witnesses were generally impartial on the subject; one exception to this was the Institute of Public Policy Research (IPPR). IPPR welcomed Freud’s report and suggested that in addition to the advantages he outlined, a single working age benefit would lead to:

“greater transparency (leading to greater understanding of, and support for, the benefits system), greater administrative simplicity, the end of a system of categorising people according to a single characteristic such as lone parenthood and the introduction of a system centred on the citizen as an individual and greater alignment of the benefits systems with employment support options.”³⁵⁷

331. Like Freud, IPPR recommended that DWP undertake or commission detailed modelling work to explore the likely impacts of creating a single working age benefit that combines Jobseeker’s Allowance, Incapacity Benefit/Employment Support Allowance and Income Support.

332. We also received evidence from the Citizens Income Trust, with its proposals for “an unconditional, automatic and nonwithdrawable payment to each individual as a right of citizenship”.³⁵⁸

333. Some witnesses did comment on the principle of a single benefit and were sceptical that a single benefit would remain simple in the face of complex contingencies. Michael Fothergill of OSW commented,

“It really worries me as to whether a Single Working Age Benefit would actually be that simple. ... I was talking a bit earlier about the Employment and Support Allowance ... Within one benefit there seem to be all these different rates and complexity, depending on what work activity you get involved in, then possibly

³⁵⁶ Jim Murphy MP, Minister for Employment and Welfare Reform, Net Gains – Future of Benefit Delivery, Dods, London,, 23 January 2007

³⁵⁷ Ev 93, para 7

³⁵⁸ Ev 85, para 1.1

further sanctions beyond and below the holding rate as well. Often they start off by looking simple but end up being relatively complex.”³⁵⁹

334. Steve Broach of Every Disabled Child Matters commented:

“If you took our families as an example, a single working age benefit would need a disabled child premium, the disabled child premium would probably have to be differentiated, perhaps into a higher, middle and lower rate, and then you have basically replicated Disability Living Allowance [...] so you might spend an awful lot of time and money replicating the existing system when it came down to brass tacks and to delivery.”³⁶⁰

335. For the most part witnesses cautioned against the execution of bold reform too quickly because the details of it remained unclear. John Wheatley from Citizens Advice said:

“It is such a ‘big bang’ change that I think all groups would want to see some analysis of the impact before rushing to judgement. It is an attractive notion that you have a single benefit with overlaying things on, but it does mean scrapping what we have now and putting something else in place. It is much easier to contemplate incremental changes, and there are plenty of things which could and should be done to simplify in the short term.”³⁶¹

336. Janet Allbeson from One Parent Families argued that in the absence of more concrete details to such a proposal, it was difficult to understand how a single working age benefit would operate in reality, particularly in terms of accommodating wider benefits such as Housing Benefit and Tax Credit:

“I must admit to being really perhaps slightly head-scratching about what the single working age benefit actually is, in that I cannot quite work out where it sits within Housing Benefit, Council Tax Benefit. Are they still going to be there? What about the Working Tax Credits, Child Tax Credits? A lot of the attempts to simplify are someone sitting down, looking at a piece of paper and saying ‘Gosh, this looks terribly complicated. Let’s just make it simpler’ without thinking through the implications.”³⁶²

337. However, One Parent Families added that “unless resources are found for a more radical and ambitious simplification agenda, it is unlikely that the complex workings of the present system will be improved from the point of view of lone parents.”³⁶³

³⁵⁹ Q 201

³⁶⁰ Q 137

³⁶¹ Q 110

³⁶² Q 137

³⁶³ Ev 143, para 32

Winners and Losers

338. The hesitancy of witnesses about the single working age benefit was also fuelled by concerns that such wholesale reform of the benefit system could lead to injustice and a large proportion of losers.

339. Referring particularly to the single working age benefit, Paul Treloar, from Disability Alliance told us:

“We would want some very robust modelling of winners and losers in terms of particularly disabled working age adults, because they are one group who have been moving more deeply into relative poverty over the last ten years compared to people with children and compared to older people. There are issues around universality of disability benefits which we think could help to bridge some of that gap. So we are not against it in principle but we would be, as I say, very keen to see some robust modelling to make sure that the actual effects on disabled working age adults were taken care of.”³⁶⁴

340. The concerns of witnesses about the winners and losers that a single working age benefit might create and about the lack of coherent thinking around the concept has been picked up by the Institute for Public Policy Research (IPPR). IPPR has recently examined the case for a single working age benefit and concluded that it may provide “the best prospect of achieving a benefit system that actively supports welfare-to-work policy”:³⁶⁵

“The single benefit would replace JSA, IB and IS and could also incorporate Carer’s Allowance. There is a range of advantages to this vision of a single working-age benefit that deal with some of the problems of the current benefit system (and particularly the links between them) that certainly exist and that look likely to continue after the introduction of the ESA. The problems associated with moving between benefits would disappear. There would be no risk to a person’s benefit if they tried going into work because the benefit would be the same before and after a period of work. There would therefore be no need for the little understood ‘linking rules’, which currently allow people to return to their former rate of benefit if they cease working. It could also be expected that the stigma and possibility of subsequent discrimination that have been associated with the notion of disability benefits would be reduced. Importantly, there would be no financial gain of claiming one benefit over another or of remaining on benefit for a longer period. Overall, a single working-age benefit would not only be less complex and easier to understand than the current array of working-age benefits, it would be easier to administer too.”³⁶⁶

341. IPPR developed further ideas around the gateway, eligibility rules and the level at which the benefit would be set.

³⁶⁴ Q110

³⁶⁵ Sainsbury, R and Stanley, K. *One for all: active welfare and the single working-age benefit*, IPPR, July 2007

³⁶⁶ As above

342. The Institute of Public Policy Research has set out one option for the radical reform of the benefits system. In the absence of a strong Departmental vision we have endeavoured to spark a debate by developing a suggested outline for a simplified Single Working Age Benefit, which is attached at Annex A. This sketches out an alternative option to that proposed by IPPR by extending the single working age benefit to provide in-work support, thus replacing tax credits. We recommend that the Government study these proposals and respond setting out which elements it agrees with and, most importantly, what alternatives it would propose for those facets it does not accept. We accept that fundamental changes such as those outlined would require a great deal more detailed development before they would be ready, but we would reiterate our disappointment that there is no obvious debate or vision being developed and, accordingly, offer this as a starting point.

Transitional arrangements: potential to 'buy out' claimants' rights to legacy benefits

343. Wholesale structural reform to create a simpler, more manageable system is a desirable prospect, although whether it is achievable remains uncertain. This is partly because of the extensive modelling that would be required to determine if it is achievable, partly because of the enormity of managing such change and partly because it raises the question of what happens to existing claimants.

344. Previous welfare reforms have managed the latter issue by putting in place transitional arrangements to protect the rights of claimants to remain on legacy benefits when they are replaced. However, for a system such as the single working age benefit to be introduced, particularly if it were done in the name of simplification, transitional arrangements would defeat the purpose - retaining old benefits and adding a new layer contributes to complexity as opposed to remedying it.

345. Donald Hirsch from the Joseph Rowntree Foundation said:

“What happens effectively is that we have a system with all the little old bits hanging off, and I think that does add to the complexity itself.”³⁶⁷

346. Steve Devereux from Jobcentre Plus highlighted the fact that transitional protection contributes significantly to the administrative complexity of the benefits system which is “arguably the bane of my life and certainly the bane of my staff’s life.”³⁶⁸ The impact, he continued, will be compounded as the numbers of staff who understand the rules of the old benefits decreases:

“I can only speak from my position as a manager who is having to deal with staff who work with things like transitional protection. It is something I cannot possibly train new staff to do. There is absolutely no way I can train new staff to understand issues

³⁶⁷ Q 72

³⁶⁸ Q 236

that came to pass 15, 20 years ago, and I am left being very dependent on a limited number of staff who have got that technical expertise.³⁶⁹

347. The DWP's memorandum similarly conceded that "transitional protection avoids losers but increases complexity because it preserves the old rules alongside the new."³⁷⁰

348. We discussed with witnesses the possibility of overcoming the complexity of transitional protection by buying out the right to retain a benefit when it is replaced by giving claimants a lump sum at one time rather than continuing with a small regular payment of the old benefit. Sue Royston told us:

"it would be very helpful, certainly with sickness benefits. There are so many different forms of sickness benefit it must be very difficult for officers to deal with. It is difficult for advice agencies to deal with when you have got people on invalidity benefit, incapacity benefit, SDA and so on. I suppose it depends whether it is affordable. It would be very helpful if it was affordable."³⁷¹

349. Steve Devereux from Jobcentre Plus agreed. He said:

"From an administration standpoint it is certainly simpler in the long run. I do not know how employment support allowance at this moment in time is going to impact on things like transitional protection. It will start and new claims will be taken on but there is certainly going to be a question about the existing incapacity benefit customers as they transfer at some point and migrate onto employment support allowance. That seems to me like an opportunity."³⁷²

350. However, Fran Bennett suggested that forecasting accurately how long a person is going to claim an old benefit in order to determine how much they should receive in a lump sum would be difficult. She concluded:

"the problem about the lone parent example is that it would be very difficult to predict how much you ought to give them to be fair, because you would not know how long their lone parenthood would last. We know the average is only about five or six years, I think, but it would be more or less difficult to have such a buy-out depending on which group of claimants you were talking about, I suspect."³⁷³

351. DWP provided information on the caseload of legacy benefits in 2006-07:³⁷⁴

³⁶⁹ Q 239

³⁷⁰ Ev 110, para 2.4

³⁷¹ Q 86

³⁷² Q 237

³⁷³ Q 86

³⁷⁴ Ev 131

Table 5: Legacy benefits – Current caseloads figures for the ‘legacy benefits’ (benefits not currently open to new claimants)

Supplementary Benefit to Income Support in 1988	Income Support to Jobseeker’s Allowance in 1996	Widows Benefit changing to Bereavement Benefit in 2001	End of new claims for severe Disablement Allowance in 2001	End of new claims for Invalidity Benefit in 1995
Data not available	Data not available	Caseload of 109,000 in 2006/07	Caseload of 270,000 (227,000 working age, 42,000 pensioners) in 2006/07	Caseload of 360,000 in 2006/07

Source: 2006/07 caseloads taken from DWP benefit projections, Forecasting Division

352. DWP also provided information on the costs of buying out transitional protection for Invalidity Benefit:

“A cost benefit analysis of buy-outing transitional protection for people in receipt of Invalidity benefit with a lump sum payment that would be actuarially calculated depending on age and the amount of Invalidity Benefit received, and replaced with long-term Incapacity Benefit, was undertaken in 2004. It was estimated that such a buyout would cost around £2.5 billion. Cost benefit analysis information on the other legacy benefits is not available.”³⁷⁵

353. We asked DWP how the £2.5 billion figure had been calculated and it provided an analysis in a supplementary memorandum, which stated that the bulk of the figure (£2.3 billion) came in buying out Additional Pension Entitlement. However, there was no analysis in the paper we received of the administrative savings which would arise from no longer having to pay out benefits according to multiple rules. We have included the Department’s calculations as an appendix to this report.³⁷⁶

354. We were disappointed that the Department does not appear to have undertaken comprehensive cost benefit analyses of legacy benefits in the system. We would recommend that the Government examines the benefits of buying out transitional arrangements in much greater detail than appears to have been done so far to determine whether this measure could simplify the benefits system.

Individualisation of benefits

355. Some witnesses suggested that there was scope to move away from household calculations and towards a more individualised benefits system. In 2003, Jane Millar proposed that an individualised means-tested social security system would have four main aspects:

“Each person would have an individual right to claim financial support, and no-one would be able to claim support simply as an adult dependent of another claimant;

³⁷⁵ Ev 131

³⁷⁶ Ev 235

“Assessments of financial need would take place on an individual basis, without taking into account the needs or resources of other adults in the family or household;

“The award would cover the needs of that individual only and would not include any payments for adult ‘dependents’;

“Payments would be made to the individual, so that each individual adult would receive money in their own right.”³⁷⁷

356. Fran Bennett summarised the options for individualisation of benefits:

“Briefly, I think there are two different things that are talked about when people talk about individualisation, and they are very different. One is individualisation of payment and the other is individualised assessment, and that is within the means-tested area. We already have individualised benefits which are non means-tested. They are increasingly not carrying dependant’s additions with them and, therefore, they are just totally individually based. So, it is not an issue with the non means-tested benefits really. I assume you are talking about means-tested benefits or Tax Credits, where there is much more difficulty in individualising. My personal preference is to go as far as we can down the non means-tested routes, because those are much more appropriate individualised benefits, than to try to individualise means-testing. You can individualise means-tested benefit payment just by chopping the payment in half once you have assessed a couple jointly and giving half to each adult. You could argue that that is more consistent with the Government’s rights and responsibilities agenda”³⁷⁸

357. It was clear from the evidence we received that the current system of household calculations for benefits can affect work incentives and give incentives for people to live in single adult households. This is an important issue which we will return to in our autumn inquiry covering child poverty.

³⁷⁷ Millar, J. *Squaring the circle? Means Testing and Individualisation in the UK and Australia*. Social Policy and Society 3:1, 67 – 74. 2003, Cambridge University Press

³⁷⁸ Q87

7 International experience

358. We heard from a number of witnesses who highlighted international examples of systemic reform that have or aim to have a positive impact on the simplicity of social security systems. In written evidence, Professor Neville Harris explained that the UK situation is not unique; complexity is inevitable in benefit systems which allocate financial assistance based on changeable personal circumstances:

“Complexity in social security systems and legislation is not a problem that is confined to the UK. The intricacy of social security law in other states, notably the US and Australia and many European states, is also well known, while a report on social assistance in OECD countries has highlighted the complexity of such schemes. Complexity seems to be a particular problem where the system is designed to allocate resources to citizens systematically but on an individualised basis – that is, with reference to the wide range of circumstances or contingencies facing claimants - and with the need for continual updating.”³⁷⁹

359. We do not suggest in this report that the measures other nations have used to address complexity can necessarily be duplicated in the UK, nor do we suggest that the UK is lagging behind international progress towards simpler benefits systems. Indeed, the Committee’s trip to California demonstrated to us that our benefits system, for all its complexity, is able to provide a safety net for many people who need it when they are not working. Nonetheless, there are a number of countries that are making considerable efforts to simplify their benefits systems, which we think the Government and more specifically, the Benefit Simplification Unit should seek to examine. Professor Neville Harris provided us with a very thorough analysis of the progress that has been made towards benefits simplification internationally.

Australia

360. Examining the reforms which have been made in Australia, Professor Harris said:

“In Australia, the complexity of the system as a whole and the law of social security in particular has been widely acknowledged [...] in 2004, in the Full Court, Weinberg J commented: ‘Regrettably, as each year goes by, the Social Security Act becomes still more complex, and less accessible to those who most need to understand it...’ Although the introduction of the Social Security (Administration) Act 1999 had aimed to make the system simpler and more coherent, complexity remained.

“Two specific initiatives concerned wholly or partly with simplification were taken in Australia between 2001-2003. First, in February 2001 the Government established a Rules Simplification Task Force comprising members of the Department of Families, Community Services and Indigenous Affairs (FaCSIA) and Centrelink, the agency which runs the benefits system on the Department’s behalf. The Task Force’s brief

³⁷⁹ Ev 225

included simplification of the rules on (old) age pension and the Newstart Allowance (a benefit for persons aged between 21 years and pension age who are unemployed and who must satisfy an activity test involving seeking work or undertaking an activity to improve their employment prospects)[...] Further legislative simplification was announced in the 2003-04 budget, including measures to reduce unnecessary duplication and to alter the numbering format of the 1991 Act. However, these reforms were very modest in scale.

“The second initiative in Australia occurred in December 2002 with the publication by the government of an important policy document entitled *Building a Simpler System to Help Jobless Families and Individuals* [...] It was proposed that design principles for a reform system of working-age benefits should include ‘simplicity and fairness... People with similar capacity for work should face similar requirements. Administration is transparent, easy to navigate and cost-effective’. No conclusion was reached on whether reform should proceed incrementally, through simplification of parts of the existing system, or should involve a complete redesign to bring about ‘a simpler and more responsive income support system’. However, it is clear from the report that simplification was one of a number of underlying objectives - others included incentivising working, increasing social participation and improving the benefits-tax interface - rather than the principal focus of the reform. There was a consultation period of around six months following publication of the proposals.

“A paper published by the Social Policy Research Centre paper at the University of New South Wales, Sydney, argues that, in practice, reforms to the system introduced since 2000 have tightened up on the obligations of jobseekers and improved services to some degree, but have ‘failed to grapple with the problems of complexity and disincentives’. The government’s failure to adopt a simpler system based on the idea of a single base rate of benefit for all, with adjustments to cover the costs of disability, job-search or children, has been criticized as an abandonment of the approach reflected in the *Building a simpler system* proposals. But an incremental approach was one of the options presented by the government, which has arguably been preoccupied by its policy of welfare-to-work, and it is clearly the one that it has favoured.”³⁸⁰

Sweden

361. The Australian approach to reform has concentrated on incremental systemic change, which reflects the focus so far of DWP’s Benefit Simplification Unit. In Europe, Professor Harris gives the example of Swedish reform which has focused on the “simplification, rationalisation or consolidation”³⁸¹ of social security schemes and legislation:

“In Sweden, the report of the ‘Inquiry on Coordination of Social Insurance Legislation’ (SamSol) was published in 2005. The remit of the inquiry was to undertake a technical review of social insurance statutes and to submit proposals for

³⁸⁰ Ev 226

³⁸¹ Ev 226

new legislation ‘to give improved clarity and better assurance against lack of consistency as regards rules and concepts common to social insurance’ and to ensure that social security legislation ‘is easier to take in and apply’. The Inquiry recommended that all legislation on social insurance should be set out in a code, which would replace around 30 separate Acts. The codified legislation of France, Germany and elsewhere is cited as an influence [...] It was argued that the code would improve citizen understanding and would be easier to administer.³⁸²

United States

362. During our visit to California, we looked at some of the efforts that the state government has made at simplifying their benefits system. At Federal level, the United States underwent major welfare reforms under President Clinton in 1996. This included the introduction of the Temporary Assistance for Needy Families (TANF) programme, which includes provisions for time-limiting welfare payments. At California State level, the time-limit is set at five years.

363. The extent to which time-limits can be defined as a simplification measure is limited, although since their introduction, States’ welfare caseloads have reduced significantly, which has in turn diminished administrative burdens. Proponents of time limits argue that the real advantages of this reform lie in the clear message that “cash assistance” (as it is referred to) is transitional which, it has been argued, forced both recipients and the welfare system to focus on self-sufficiency.³⁸³

364. We met with a number of academics in Los Angeles to discuss the US welfare system and how it operates at federal level. Professor Joel Handler from UCLA was opposed to time-limits altogether and told us that the overall costs were very high, in terms of the break-up of families. He explained that the 10% who “time-out” of the welfare system are likely to be those who are hardest to help.

365. Zeke Hasenfeld, also from UCLA, agreed, saying that all of the research illustrates that the families who are sanctioned are the most vulnerable. Recent research has found that even those families who move into work when they reach their time limit tend to remain in poverty, as most former welfare recipient families continue to experience economic hardship and to rely on other types of public benefits, such as Food Stamps.³⁸⁴ Furthermore, there is a worryingly high proportion of “poor single mothers”³⁸⁵ who are neither in work or on welfare, which stood at 34% in 2004.³⁸⁶

³⁸² Ev 227

³⁸³ Working Toward Independence: Maximising Self Sufficiency Through Work and Additional Constructive Activities. White House publication February 2002

³⁸⁴ Slack et al (2007) Family Economic Well-Being Following the 1996 Welfare Reform: Trend Data from 5 Non-Experimental Panel Studies, University of Wisconsin

³⁸⁵ Congressional Research Service, Trends in Welfare, Work, and the Economic Well-Being of Female-Headed Families with Children: 1987 – 2004 (March 9, 2006)

³⁸⁶ As above

366. We asked the Minister whether the Government had looked into the feasibility of introducing a time-limited benefits system in the UK. He informed us that the Government had rejected the idea.³⁸⁷

367. In February 2006, Berkeley Policy Associates published their first report in a longitudinal study, which aims to evaluate the implementation of welfare time limits in California and the impact of time limits on families receiving “cash assistance”. The report presents data from 2003 but will report its latest findings later this year. The forthcoming report will update these administrative findings, as well as examine how families prepare for the time limit and how those subject to the time limit triggered grant reductions are faring.

368. Researchers concluded that the time limits system was operating with a number of flaws and recommended that the Californian Department for Social Services address these issues as a priority:

“The state-wide database for tracking time on aid is not yet reliable or complete[...] Tracking time on aid requires substantial staff time and resources. County staff devote substantial time to reviewing case records and to verifying exemptions and extensions [...] Staff report that it can take 15 minutes to several hours to review a single case [...] some counties may be providing inaccurate notices [to recipients] about the 60 month time limit.

“Despite training, few focus county caseworkers could identify all six reasons for granting extensions, five of which are also grounds for exemption [...] Recipients in our focus groups understand there is a time limit, but are confused about exemption and extension policies. [...]

“Our research uncovered two major issues regarding the availability of support services for time limited adults. First, recipients who participated in our focus groups were confused about their continued eligibility for support services and other benefits following their time limit triggered grant reductions. To the extent that these focus group participants represent most [...] recipients, the state and counties should consider how they can better inform recipients about post time limit services and benefits. Second, recipients who reach their 60 month time limits and have their grants cut are no longer required to seek employment. As funding for optional support services dries up, counties will be less able to encourage such adults to make the transition to work and leave the Safety Net program altogether [...] In the long run, such a service poor program is unlikely to benefit recipients, their children, or state taxpayers.”³⁸⁸

369. The Minister advised us that the Government had considered and rejected time-limited benefits. During our visit to the USA we were told there had been very little research on the impact of time limits on claimants, including those who did not obtain employment, but that some research is due to be published later this year. We welcome

³⁸⁷ Qq 331-332

³⁸⁸ Berkeley Policy Associates Working Against the Clock: The Implementation of Welfare Time Limits in California [Detailed Research Findings], Feb, 2006

the Government's rejection of time limits but consider it prudent that it reviews the forthcoming research on the US experience.

370. During our visit, we also heard about the Electronic Benefit Transfer (EBT) Card. The EBT is used in a similar way to a bank debit card and allows recipients of food stamps to purchase food through electronic transactions. By using the EBT card, cardholders can access food benefits at the point-of-sale (POS) terminals of retailers who are authorised by federal government to accept food stamp benefits. In California, each county has the option of also providing clients with the ability to access cash benefits through automated teller machines (ATMs) and cash benefits at POS terminals. The EBT Card includes a sophisticated fraud detection system. We were told by officials at the Department for Social Services that the card had also improved the benefits administration process.

371. We were impressed with the Electronic Benefit Transfer (EBT) Card that we saw in California and we would urge the Government to consider what lessons can be learned from this system for the UK.

New Zealand

372. In the previous chapter we examined the potential for fundamental reform and the introduction of a single working age benefit in the UK.

373. The idea of a single benefit has received support in New Zealand, where the Government intends to introduce a single core benefit in 2010. It aims to move away from a benefit structure that focuses on barriers to employment and replace it with a unitary (“core”) benefit that streams people in terms of what is expected of them.

374. The New Zealand Government have proposed that there will be three work streams: work ready, work development (for whom a gradual transition to work or intermittent work is more appropriate) and work exempt (e.g. the terminally ill). There will therefore be work expectations on most people, to varying degrees, and benefit recipients will move between the streams depending on their work-readiness.

375. Lone parents will be in the “work development” category. They will not be expected to move immediately into work, but will be required to actively plan for their eventual entry into the workforce. The emphasis will be on engagement and support through case managers rather than on sanctions.

376. We contacted officials in New Zealand to find out how far they have progressed in terms of developing the single core benefit but the response we received gave details of piecemeal changes, as opposed to any timetable for the introduction of a new unitary benefit.³⁸⁹

³⁸⁹ Ev 239

377. In written evidence, Professor Harris suggested that “the key element in that simplification, the introduction of a ‘single core benefit’, is not in prospect at the present time and doubts have been expressed about this reform ever occurring”³⁹⁰ He added:

“The New Zealand government in fact began in June 2005 to trial a model under which claimants of working age were assessed according to their work-status categorization, which is reflected in the categories now set out in the Bill and constitutes part of the first reform phase. These categories in turn broadly reflect the streams proposed for the single benefit. Consequently the need for such a benefit to be introduced is perceived to have diminished. Certainly there would appear to be no potential gains in terms of simplification, other than perhaps the somewhat cosmetic effect of an overarching name.

“There are some examples of small scale simplification contained in the Social Security Amendment Bill. For example, the definition of child dependants has been standardized as have the residence requirements in respect of a range of different benefits. A further example relates to the sanction of suspended or cancelled benefit due to failure to comply with the work test imposed (under s 117 of the Social Security Act 1964) upon a member of a couple who are in receipt of benefit ... Note that the latter ‘simplified’ version is in fact three words longer than the former. This example also illustrates that where there is an elaborate framework governing a particular area of provision, simplification means making things simpler but not necessarily making them simple.”³⁹¹

378. We recommend that DWP and the Benefit Simplification Unit examine in detail measures which have been taken to simplify benefits in other countries. In particular, we recommend that the Government considers trends in Australia and New Zealand, particularly if and when they make any decisions on more fundamental reform of the benefits system.

³⁹⁰ Ev 227

³⁹¹ Ev 228

8 Conclusion

379. Throughout this inquiry we have heard evidence of substantial dysfunctional complexity in the UK benefits system. Reports by the National Audit Office, Public Accounts Committee and the Department, as well as the contributions we received, all alluded to this. Incremental change, alignments of rules and improving the service for claimants certainly have a role to play in addressing these problems but there is still a long way to go.

380. Our concern is that the current DWP approach addresses only the tip of the iceberg, looking at new policies but not necessarily the existing structure, examining parts of the system in isolation. Without a wholesale review of all benefits, and tax credits, their interactions and idiosyncrasies, meaningful simplification will never be achieved. We do not believe that the Benefit Simplification Unit can do this in its current form.

381. We recommended earlier in this report that a high-level group should be established in the short-term to make suggestions for simplification. We also believe that the Government should establish a Welfare Commission, similar in format and remit to the Pensions Commission, which can take a holistic view, model alternative systems, and come up with a considered blueprint for a way forward. A benefits system which DWP staff, claimants and welfare rights advisers have a hope of understanding is in everyone's best interests.

Conclusions and recommendations

1. We appreciate the value of means-tested elements of the benefits system that target assistance at those people most in need of financial support. Having said that, evidence to this inquiry suggested that there is a direct correlation between the amount of means-testing and the complexity in the system. We recommend that the Government specifically evaluates the current caseload of means-testing in the system as part of its simplification efforts and where possible, reduces it. We particularly consider that, in order to achieve simplification, priority should be given to alignment of rules for different benefit eligibility. (Paragraph 51)
2. We accept that the contributory principle is valued by many as a contract between the state and the individual and reflects the Government's rights and responsibilities agenda. However, the contributory principle adds an additional layer to the current system and research suggests it is no longer as relevant to the benefits system as it once was. We therefore recommend that the Government reviews whether or not the contributory principle remains a relevant part of the modern benefit structure (Paragraph 55)
3. The existing system, with its benefits paid according to different principles and rules, is clearly complex and in need of change. We believe that measures to simplify the benefits system could, if done sympathetically and systematically, contribute to the Department's wider objectives, and improve the lives of millions of claimants. The Government should be taking as its starting point a review of:
 - Whether all existing benefits are necessary;
 - Whether some benefits could be merged;
 - The interaction between benefits and how the qualifying arrangements differ; and
 - The overall purpose of the benefits system. (Paragraph 56)
4. We conclude that there is a lack of vision and drive within DWP and across Government to simplify the benefits system, and we share the reservations of a number of witnesses about what the Benefit Simplification Unit can achieve under its current structure. We commend the role it is playing preventing further complexity being introduced into the system, but this is a very long way from having a plan to systematically introduce simplification, and from the DWP Permanent Secretary's "very clear simplification ambition." The fact that the BSU's Simplification Guide imposes a unique condition, "if resources permit", on "spring cleans" of particular rules or processes is disappointing, but indicative. (Paragraph 79)
5. Our predecessor Committee recommended in 2004 that "the Department establishes a high level working group chaired by Ministers, comprising IT suppliers, social policy experts and other relevant parties, including representatives of client groups and front-line staff, to make recommendations on how policies can be simplified." We believe that this recommendation retains considerable merit. (Paragraph 80)

6. Engaging the expertise of front-line staff should be a high priority for the Benefit Simplification Unit. There needs to be a proactive policy of gathering ideas and then acting on them to change processes. (Paragraph 86)
7. We welcome the DWP's decision to roll out the Lean Pathfinders more widely. We ask DWP to report progress to us, including how the emerging best practice from these Pathfinders will be rolled out nationwide, and how lessons will be learned across different benefits. We also ask DWP to consider greater formal claimant participation in these projects, for example through the work of Jobcentre Plus External Relations Managers and local liaison groups. (Paragraph 94)
8. We ask the DWP to clarify whether it is planning to conclude its study of the scope for producing a complexity index. If so, the suggestions on measuring 'costs of compliance' made by Fran Bennett (University of Oxford) and Mike Brewer (Institute for Fiscal Studies) should be part of that study, if not, DWP should explain why. Our view is that, given the high levels of complexity and the limited progress made so far, running programmes to reduce complexity should be a higher priority for Government. (Paragraph 100)
9. We are surprised by the decision of DWP not to publish the report prepared by Sue Royston, who was seconded from Citizens Advice to the BSU for nine months, or even to place the report on its website, as this was an extensive piece of work which drew contributions from external organisations, involved liaison and the involvement of claimants and their advocates, and is likely to result, from the comments of the Minister, in some significant changes to the system. We ask DWP to reconsider this decision. (Paragraph 105)
10. We were refused access to the quarterly reports on complexity that are given to the DWP management team. We are disappointed at the DWP's decision, and press again for these documents to be submitted to us for scrutiny, if necessary on a confidential basis. We also press the DWP to ensure that BSU progress reports are placed on its website, in order to give the Unit a higher external profile. (Paragraph 108)
11. As part of this inquiry we met a series of claimants and even Jobcentre Plus staff who found it impossible to get through to the new Jobcentre Plus Benefit Delivery Centres. Unlike calls to Contact Centres these calls are charged at 0845 rates and are not free. Coupled with delays in the system, this has resulted in hardship and distress for many vulnerable people. DWP should take action to resolve these problems immediately. (Paragraph 118)
12. Engagement with those who are out of the labour market is crucial, and Better-Off Calculations are an essential tool in this process. At the same time, their complexity illustrates the opaqueness of our current benefits and tax credits system. We recommend that all staff who carry out Better-Off Calculations are given additional training to ensure that the information they give to claimants is accurate, and that the IT systems are reviewed to make them easier to use and to ensure that Better-Off Calculations accurately reflect likely tax credits payments. The Committee would also welcome assurances from Jobcentre Plus that Better-Off Calculations are a

priority and that staff are encouraged not just to undertake claimant assessments but to appreciate fully the value of the calculation in giving people the incentive to return to work. (Paragraph 127)

13. We believe that Better-Off Calculations can help claimants make informed choices about work by setting out clearly any in-work entitlements for which they may be eligible. We recommend that the Government ensures that all working-age claimants are given a Better-Off Calculation at the appropriate time, and that it sets higher national targets for how many claimants receive them. (Paragraph 132)
14. We conclude that any attempt to simplify the benefits system must take tax credits into account. However, it is difficult to see how this will be achieved at a policy-making level. The Benefit Simplification Unit only has responsibility for DWP benefits and while there is joint HMRC/DWP work underway to improve data sharing and operational processes, there is no Government Minister, department or unit which is attempting to address the combined and overlapping complexities of the benefits and tax credits systems. This omission must be urgently addressed. (Paragraph 148)
15. We believe that the Social Security Advisory Committee is a valuable and experienced resource that provides critical examination of the DWP benefits and HMRC's Tax Credits systems and would have a role in joining up HMRC and DWP thinking. We urge the Government to ensure that both Departments engage with the Social Security Advisory Committee as a means of collaboratively addressing complex interactions between the respective systems, reconsider formally extending the Social Security Advisory Committee's remit to include Tax Credits, and arrange for a joint review of the Memorandum of Understanding to be conducted as soon as possible. (Paragraph 149)
16. The DWP has acknowledged in its own research that it must do more to ensure that claimants are aware of Housing Benefit as an in-work benefit. We urge the Government to work with local authorities to examine how best to raise awareness amongst benefit claimants and low wage earners and to act upon this swiftly (Paragraph 155)
17. We recommend that the Government undertakes research to investigate whether there remain some groups of claimants for whom work does not offer the best route out of poverty, and more detailed analysis of the impact of high Marginal Deduction Rates in parts of the benefits system on overall work incentives. (Paragraph 176)
18. The Committee awaits the Government's response to David Freud's review of welfare system but even at this early stage considers that, should the Government extend the role of contractors in delivering frontline services for claimants, it should be incumbent on providers to undertake benefits training for staff. (Paragraph 178)
19. We agree with Sue Royston that looking at customer journeys could be a good way of shedding light on the claimant experience, and as such should be a useful tool for the new Customer Insight Team. (Paragraph 192)

20. We welcome Sir David Varney's recommendation that a Government-wide change of circumstance service should be established by 2010. Given that the DWP has such an important role in the delivery of the Varney review through the 'Tell Us Once' project, we believe that successful implementation should be incorporated as part of the Department's targets, and closely monitored as proposed by Sir David Varney. (Paragraph 207)
21. Tell Us Once is limited to a relatively narrow area, so we welcome the Minister's commitment to introduce a single point of contact for changes of circumstances across DWP, including for housing benefit, and ask the Department to set out a timetable of its wider work to achieve this, including the One:Time Solution and the Customer Information System. It is essential that a single point of contact is developed to facilitate both the easy communication of changes in circumstances by claimants and a prompt response from agencies. This will help claimants to avoid unnecessary hardship, such as the threat of eviction. (Paragraph 208)
22. We welcome the fact that progress is being made towards the introduction of an electronic document storage facility in the Pension Service, and ask DWP to keep us informed of progress with this important project. (Paragraph 209)
23. We look forward to the Government's response to the Freud review, and trust that it will include an assessment of the feasibility of his suggestion that Jobcentre Plus offices should become one-stop-shops for a range of government services. In the meantime, DWP does need to ensure that its links with other agencies who have direct contact with vulnerable people, such as health visitors and local authorities, are strong, and that help and advice about benefits is widely available. (Paragraph 218)
24. Jobcentre Plus needs staff on the front-line who have a degree of expertise in the benefits system and are not tightly bound to the script. The analogy we would draw here is with a triage nurse in an Accident and Emergency Department. It would be inefficient if staff in Jobcentre Plus contact centres, who will be dealing with routine calls most of the time, were fully trained-up experts in the benefits system. But they should be better trained than they are now, to provide a more informed and flexible service to claimants and save work further down the line. Jobcentre Plus should learn the lessons of its sister Agencies, particularly the Pension Service, on this. (Paragraph 226)
25. Given the points we have made already about the importance of improving the interface between in-work and out-of-work benefits, the joint DWP/HMRC pilot to develop service improvements sounds promising and we welcome the fact that it is being extended. (Paragraph 230)
26. We ask DWP to consider whether its 'My DWP' project should include the function to submit applications for benefits online using a secure system with links to the DWP's own processing systems, along the lines of the One-e-App process used in parts of the USA. We also ask DWP to set out the legislative background to the need for a signature on claim forms, which is often described as a barrier to on-line applications. (Paragraph 241)

27. We welcome the Minister's interest in the quality and comprehensibility of computer-generated letters, and the news that Jobcentre Plus is to begin a review of its correspondence, which has been the subject of much criticism during this inquiry. This review must lead to an action plan to improve the quality of these letters, and the action plan should be forwarded to us. (Paragraph 252)
28. We agree with the Minister that Statements of Entitlement are the right way forward, replacing an important piece of information for claimants that disappeared when Order Books did. DWP should work to implement this measure as soon as possible, as part of the wider 'my DWP' project. (Paragraph 256)
29. DWP must put the claimant at the heart of the simplification process, and it is clear that there is much potential for improving the customer experience – and internal DWP processes – without changing the rules. We welcome the work done by DWP to date on this, particularly the Lean Pathfinders. However, it is not enough to rely on 'masking' complexity; there is a need to go further and address the rules of the different benefits and the structure of the system itself. (Paragraph 262)
30. We welcome the changes to rules and time periods the Government has made so far, but during our inquiry we have received evidence to suggest that amendments have not gone far enough. In order to achieve simplification priority should be given to alignment of rules for different benefits, including means-tested benefits. We recommend that the Government recognises this and outlines its intentions on alignment over the next five years, together with reasons for areas of inaction. (Paragraph 282)
31. We agree that claimants should expect to report changes in their circumstances to the relevant agency. However, witnesses have made a strong case for the Government to examine the frequency with which claimants must fulfil this expectation. We therefore recommend that the Government undertakes a systematic review of the rules for reporting changes of circumstances and the impact of existing reporting periods, particularly for Housing Benefit. (Paragraph 295)
32. We recommend that, following the publication of the Joseph Rowntree Foundation's research into different systems of uprating, the Government undertakes an assessment of the impact on claimants of different uprating measures and the consequences for poverty eradication. (Paragraph 298)
33. We recommend that the Government publishes the findings of the Pension Service Solution Centre project into automatic benefits payments and examines the feasibility of introducing automatic claims and payments to other parts of the benefits system. (Paragraph 302)
34. We were disappointed to learn of the problems being experienced in the operation of the Customer Account Management System. We are particularly concerned about the implications this may have for the introduction of Employment and Support Allowance, which will operate using this model. We recommend that the Government urgently investigates these issues in order to avoid the IT problems that have been associated with DWP systems in the past. (Paragraph 306)

35. The Committee asks that the Government provide a clear rationale to explain its future plans for the Customer Management System and considers the impact of the serial introduction of short-lived IT systems on the administrative complexity of the benefits system. (Paragraph 311)
36. We recommend that the Government do more to ensure that incremental simplification measures do not have unintended consequences for different parts of the benefits system. Just as policy proposals for benefits are now channelled through the Benefit Simplification Unit to assess their impact on complexity, the Committee recommends that proposals for simplification undergo a similarly vigorous impact assessment process. (Paragraph 314)
37. We accept that the Minister did not wish to pre-empt the Government's response to the Freud review during our evidence session but we were very disappointed that he could not present a clear long-term vision for the simplification reforms of the benefits system or comment on the principle of a single working age benefit. This was particularly the case given that discussions about the possibility of a single working age benefit pre-dates the Freud review on the Government's policy agenda. (Paragraph 329)
38. The Institute of Public Policy Research has set out one option for the radical reform of the benefits system. In the absence of a strong Departmental vision we have endeavoured to spark a debate by developing a suggested outline for a simplified Single Working Age Benefit, which is attached at Annex A. This sketches out an alternative option to that proposed by IPPR by extending the single working age benefit to provide in-work support, thus replacing tax credits. We recommend that the Government study these proposals and respond setting out which elements it agrees with and, most importantly, what alternatives it would propose for those facets it does not accept. We accept that fundamental changes such as those outlined would require a great deal more detailed development before they would be ready, but we would reiterate our disappointment that there is no obvious debate or vision being developed and, accordingly, offer this as a starting point. (Paragraph 342)
39. We were disappointed that the Department does not appear to have undertaken comprehensive cost benefit analyses of legacy benefits in the system. We would recommend that the Government examines the benefits of buying out transitional arrangements in much greater detail than appears to have been done so far to determine whether this measure could simplify the benefits system. (Paragraph 354)
40. The Minister advised us that the Government had considered and rejected time-limited benefits. During our visit to the USA we were told there had been very little research on the impact of time limits on claimants, including those who did not obtain employment, but that some research is due to be published later this year. We welcome the Government's rejection of time limits but consider it prudent that it reviews the expected research on the US experience. (Paragraph 369)
41. We were impressed with the Electronic Benefit Transfer (EBT) Card that we saw in California and we would urge the Government to consider what lessons can be learned from this system for the UK. (Paragraph 371)

42. We recommend that DWP and the Benefit Simplification Unit examines in detail measures which have been taken to simplify benefits in other countries. In particular, we recommend that the Government considers trends in Australia and New Zealand, particularly if and when they make any decisions on more fundamental reform of the benefits system. (Paragraph 378)
43. Throughout this inquiry we have heard evidence of substantial dysfunctional complexity in the UK benefits system. Reports by the National Audit Office, Public Accounts Committee and the Department, as well as the contributions we received, all alluded to this. Incremental change, alignments of rules and improving the service for claimants certainly have a role to play in addressing these problems but there is still a long way to go. (Paragraph 379)
44. Our concern is that the current DWP approach addresses only the tip of the iceberg, looking at new policies but not necessarily the existing structure, examining parts of the system in isolation. Without a wholesale review of all benefits, and tax credits, their interactions and idiosyncrasies, meaningful simplification will never be achieved. We do not believe that the Benefit Simplification Unit can do this in its current form. (Paragraph 380)
45. We recommended earlier in this report that a high-level group should be established in the short-term to make suggestions for simplification. We also believe that the Government should establish a Welfare Commission, similar in format and remit to the Pensions Commission, which can take a holistic view, model alternative systems, and come up with a considered blueprint for a way forward. A benefits system which DWP staff, claimants and welfare rights advisers have a hope of understanding is in everyone's best interests. (Paragraph 381)

Annex A: a single working age benefit

A Single Working Age Benefit

Introduction

What is proposed in this paper is an attempt to sketch out a radical solution to simplifying the UK benefits system by introducing a Single Working Age Benefit (SWAB) for those both in work on a low salary and those out of work for whatever reason. This proposal is not necessarily the only way of achieving the aim of a SWAB, or indeed the whole answer, but is set out here in order to stimulate a debate on how the benefits system can be streamlined, while removing some of the perverse incentives which exist in the present system. The level at which the SWAB and Marginal Deduction Rates (see below) are set will determine whether the cost to the Treasury of implementing the benefit will result in a fiscal saving, be cost neutral or more expensive than the benefits and tax credits it would replace.

At present the Government appears to have no proposals for such far reaching reform of the benefits system so this paper is an attempt to elicit from the Government its thinking on the concept of a Single Working Age Benefit.

The Single Working Age Benefit (SWAB)

A Social Protection Scheme

The SWAB would provide an income for anyone who is legitimately resident in the UK and is both willing and able to work (or is exempted from the latter criterion because of illness, disability or caring responsibilities – see below). It would, therefore, replace Income Support, Jobseeker's Allowance and the planned Employment and Support Allowance, and the need for any linking rules for people moving between them.

As an income replacement benefit the SWAB should be set at or above an independently-researched level of income, to be calculated statistically and published annually. Having guaranteed this minimum amount at least, there would be no need for the SWAB to rise after people had been claiming it continuously for a certain amount of time, removing a disincentive for people to return to work and simplifying the system considerably.

Because it provides an acceptable level of income, the SWAB is a genuine social protection scheme. It is designed to ensure that no-one falls below the acceptable level of income whether their previous wages were high or low.

'Willing and Able To Work'

Claimants who are not sick or disabled would have to demonstrate that they are willing to work by participating in focussed 'welfare to work' programmes. These would be run by specialist organisations contracted to the Department for Work and Pensions, and would only be paid according to their success in placing claimants in long-term stable and

sustainable employment. Claimants who are not genuinely willing to work would, in time, be referred by the welfare to work organisation which was responsible for finding them a job to a DWP decision maker, with a recommendation and supporting evidence that their SWAB should be sanctioned until they are willing to participate properly.

Claimants who are sick or disabled would be assessed through a modified Personal Capacity Assessment (PCA), similar to the one already proposed for the Government's new Employment and Support Allowance regime. This would be a single assessment to establish a claimant's eligibility for additional disability-related benefits (see below), their ability and potential to undertake different types of work, and any assistance they may need (including medical treatment, physical aids and skills training) to get and hold a job. Claimants who were assessed as too severely sick or disabled to have a realistic chance of stable employment – the equivalent of the 'Support Group' in the Government's new Employment and Support Allowance regime – would still be encouraged to apply for work if they were willing, but looking for employment and participation in welfare to work programmes would not be a condition of continuing to claim the SWAB. For all other claimants with illnesses or disabilities, the results of the PCA would be fed into their welfare to work programme and treated in the same way as any other barrier to work – an obstacle which can be overcome with the right support and preparation.

Claimants who are caring for dependent children or adults would also have their needs assessed. Depending on the age of the children – the caring burden tends to decline as children enter primary school, and again when they begin secondary education – or the level and type of care required by a dependent adult, carers will face a variety of obstacles to finding and keeping a stable job. There would be a single assessment based either on the ages of the children or the PCA assessment of the adult's needs. As with sick or disabled claimants, in some cases the most demanding examples of care may mean that work is an unrealistic prospect (e.g. caring for severely sick or disabled children or adults). Once a claimant had been assessed as belonging to this group, looking for employment and participation in welfare to work programmes would not be a condition of continuing to claim the SWAB although, as with severely sick or disabled claimants, participation would still be encouraged if the claimant was willing. For all other carers the obstacles identified in their assessment should be fed into a welfare to work programme and treated in the same way as any other barrier to work – a problem which can be overcome with the right support and preparation.

An In-Work Benefit Too

The SWAB would also be an in-work benefit. Once someone had begun work the DWP would tell the tax office (HMRC) how much benefit they were receiving. HMRC would then reclaim the benefit from their wages at a constant Marginal Deduction Rate (e.g. 40p in the pound) through the tax system. The Marginal Deduction Rate (MDR) would be a national percentage set by the Chancellor in the Budget, and would apply from the first pound of income until an individual's wages had risen high enough to repay all their benefit, at which point it would no longer apply. This system would, therefore, replace all existing benefit withdrawal rates (which frequently rise to 85% at present, and sometimes to 100%) and the entire tax credit system as well. It would also abolish the need for any

notification of changes of circumstances for people moving in and out of work, or for linking rules to cover them either.

The MDR could also be defined as a residual (e.g. 40% less the rate of income tax and NI) so that the overall effect of the MDR, income tax and National Insurance would not create an unacceptably high marginal rate of income removal for anyone. This would clarify to anyone contemplating employment that they would always be significantly better off in work because they would know that they would never lose more than the MDR percentage on every pound they earned.

People who are already in work would, of course, be able to claim the SWAB as well, so they would not lose out when the tax credits system was abolished.

The MDR system could also count child maintenance payments as income, so that the SWAB could be reclaimed from it in the same way as any other earnings. This would completely replace the current system of CSA benefit disregards, simplifying the administration significantly and removing many disincentives to work or to pay maintenance.

The net fiscal impact of this system would, of course, depend on the interaction between the level set for the SWAB and the MDR. Depending on those levels, the cost might be less, more, or the same as, the costs of the existing benefits and tax credits it would replace. Under this system it would become relatively fiscally painless for Chancellors to raise the levels of income at which income tax starts, or to introduce tax allowances (e.g. for families) since the costs of any lost tax revenue would be reduced through the MDR benefit reclaim mechanism instead.

An End To Means Testing at the point of application?

The MDR mechanism would abolish the need for an income-based means test at the point of application, further reducing the complexity of applying for and administering the SWAB. Capital based means testing might, however, still be needed since the MDR would not reclaim benefits paid to people with significant savings who had no income. These people fall into two distinct groups:

1. Most people with significant savings and zero income are either not of working age (ie they are retired) or not genuinely willing to work because they already have sufficient income to meet their needs. In these cases they would either not be eligible to claim the SWAB in the first place, or would swiftly have their benefits sanctioned if they weren't willing to participate in a welfare to work programme.
2. The only group with savings and no income which might be eligible for the SWAB are middle-income earners who are temporarily unemployed. The majority of these people have valuable skills – or they wouldn't have been able to earn a middle-income wage before they became unemployed – and most will rapidly find themselves a new job. For these people a capital-based means test would be complex and unnecessary, since the SWAB they receive while they are unemployed would be mostly reclaimed through the MDR system in any case.

For the remainder of this group who take longer to find a new job, the Government would need to assess whether the additional complexity and intrusiveness of a capital-based means test would be worthwhile. At a minimum it should not be applied until someone had been claiming the SWAB for at least 3 months, to avoid the complexity of assessing all the people who would rapidly get back into work in any case.

Individual Or Household Income?

As a basic principle, the SWAB would be paid to individual claimants based on their personal circumstances only. Where households contain more than one person they would be dealt with through separate claims, so that an individual change of circumstances would not alter the claims of everyone else in the building. This would be far simpler, quicker and less intrusive than the current system.

It may, however, be necessary to take household income into account in the specific situation where a claimant is a non-working partner of a high earner, and is unable to work because of either caring responsibilities or disability. In these cases, it may be necessary to apply the MDR to the household's income rather than the claimant's alone. This would add a little complexity to the basic principle of individual circumstances and income described above, so the Government should consider the number of likely claimants in this group and whether the fiscal gains of assessing their joint income would be worthwhile. If they are, household income could be assessed by linking people through the tax system, but there would be complications to avoid penalising people who are married or in formal civil partnerships (and who are, therefore, easy to identify) relative to people who are simply living together (and who are not).

Additional Benefits To Top Up The SWAB

Once someone has established a claim to the SWAB as described above, there are three specific circumstances where they may also need to apply for an additional benefit to top up. These additions would also be in-work benefits which would be reclaimable through the MDR mechanism in the same way as the SWAB. They are:

Carers

Claimants who are caring for dependent children will need a small additional amount of income to reflect the additional costs of living for each child. This would be an automatic benefit for everyone with children of dependent age, similar to the existing Child Benefit (it would be up for discussion whether this child benefit would be means-tested through the MDR process), and its level would be set based on the same type of independent, annually published research as the SWAB itself (see above).

Claimants who are caring for dependent adults would not need help with the additional costs of living, because the dependent adult would be claiming the necessary benefits in their own right.

People With Disabilities

Once a claimant had established their eligibility for disability benefits through the new, simplified single PCA assessment, they would be eligible for additional financial help to provide the aids and assistance they need to live as independently as possible. Whether this new benefit would be the same as the existing Disability Living Allowance or a new benefit to cover all extra expenses associated with a persons disability would need to be discussed.

Housing And Council Tax Benefits

Eligibility for Housing Benefit and Council Tax Benefit would be determined through the same initial application for the SWAB. If someone was receiving the SWAB then, depending on whether they were in private rented or social housing, they would automatically be eligible for one or both of these two benefits as at present. The DWP would simply direct the relevant local Housing Authority to pay the new Local Housing Allowance and / or the local Council Tax benefit too. This approach would be substantially simpler and cheaper to administer as a result.

Formal minutes

Wednesday 18 July 2007

Members present:

Mr Terry Rooney, in the Chair

Miss Anne Begg

Harry Cohen

Michael Jabez Foster

Joan Humble

Greg Mulholland

John Penrose

Mark Pritchard

Jenny Willott

The Committee considered this matter.

Draft Report (*Benefits Simplification*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 381 read and agreed to.

Annex and Summary agreed to.

Resolved, That the Report be the Seventh Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Several Memoranda were ordered to be reported to the House for printing with the Report, together with certain Memoranda reported and ordered to be published on 2 May.

[Adjourned till Monday 23 July at 4.00pm]

Witnesses

Wednesday 2 May 2007

Page

Ms Fran Bennett, University of Oxford, **Mr Donald Hirsch**, Joseph Rowntree Foundation and **Ms Sue Royston**, Citizens Advice, (Secondee to the Benefit Simplification Unit)

Ev 1

Wednesday 16 May 2007

Mr John Wheatley, Citizens Advice, **Mr Paul Treloar**, Disability Alliance and **Ms Anna Pearson**, Help the Aged

Ev 18

Mr Steve Broach, Every Disabled Child Matters, **Ms Janet Allbeson**, One Parent Families and **Dr Paul Dornan**, Child Poverty Action Group

Ev 29

Monday 21 May 2007

Ms Abigail Howard, The Wise Group, **Ms Ginny Lunn**, The Prince's Trust and **Mr Michael Fothergill**, Off the Streets and into Work

Ev 38

Wednesday 23 May 2007

Mr Bill Farrell, Disability and Carers Service, **Mr Steve Devereux**, Jobcentre Plus and **Ms Christine Dawes**, The Pension Service

Ev 51

Mr Tom Penn and **Mr Charles Law**, Public and Commercial Services Union

Ev 60

Monday 18 June 2007

Mr James Plaskitt MP, Parliamentary Under Secretary and **Mr Brendan O'Gorman**, Benefit Reform Division, Department for Work and Pensions

Ev 66

List of written evidence

1	Disability Solutions	Ev 84
2	Citizens Income Trust	Ev 84
3	Fran Bennett (University of Oxford), Mike Brewer (Institute for Fiscal Studies)	Ev 90
4	Institute for Public Policy Research	Ev 93
5	The Prince's Trust	Ev 94
6	Judy Scott	Ev 97
7	Hertfordshire County Council (Money Advice Unit)	Ev 104
8	Department for Work and Pensions	Ev 108
9	Supplementary evidence from Department for Work and Pensions	Ev 124-138, 231
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