



Work and Pensions Committee Inquiry into the Welfare Safety Net

Written evidence from CPAG

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About CPAG

Child Poverty Action Group (CPAG) works to prevent and relieve poverty among children in the UK.

We have particular expertise in the functioning of the social security system through our welfare rights, training and policy work. We author and publish *The Welfare Benefits & Tax Credits Handbook* (the annual authoritative guide to social security in the UK), provide specialist advice to first tier advisors through a telephone and email service, and are currently providing frontline welfare rights advice to food bank users in Tower Hamlets.

We act as secretariat for the National Association of Welfare Rights Workers and are currently chair of the voluntary sector Social Security Consortium.

We collect case study evidence from advisors on the impacts of welfare reform through our Early Warning System (EWS) which covers the whole of the UK.

In putting together this submission we have drawn on all these sources of information.

Introduction

In this response, we focus particularly on the key question: “Is our welfare safety net working to prevent people falling into deprivation? If not, how could it better do so?”

This is an important question to ask at a time when nearly £40 billion is being cut from social security spending every year, confidence in both the effectiveness and deliverability of universal credit is low, there is continuing concern about the government’s proposed approach to managed migration in universal credit with the risk of leaving the most vulnerable without support, along with uncertainty about the feasibility of retaining other parts of the social security system that are now termed “legacy benefits”. Other important contextual factors include the increase in in-work poverty, the growth in demand for crisis support such as food banks and increasing homelessness, particularly in urban areas with high housing costs.

It is worth at this point considering what the committee means by ‘welfare safety net’. Does this refer to means-tested social assistance which tops-up other income such as universal credit? Is it the means-tested backstop now known as local welfare assistance (LWAS) delivered by local authorities that replaced the Social Fund? Sometimes referred to as ‘the safety net of the safety net’. Or is the scope of this inquiry to consider the whole of our system of financial support which is more properly referred to as our social security system? In our response, we address the latter.

Although much government, public and media attention is focused on universal credit as a driver of poverty and deprivation, it is important to also consider the combined impact of a number of factors that together have weakened our social security system to the point that it no longer fulfills its function of preventing poverty or, indeed, deprivation – the long-term benefit freeze, the benefit cap and the two-child limit in universal credit and tax credits in particular. It is also worth raising the issue of delays and administrative failure which has become a common feature of our system regardless of the introduction of universal credit and the ability of claimants to make a claim due to remote processing centres, lack of face to face support and online claiming.

While it has been valuable to contribute to the Committee’s in-depth assessments of various components of the system, it is also necessary to consider the social security system as a whole and assess how well it serves its purpose and meets the needs of people both in and out of work, families raising children (as couples or as lone parents), people with disabilities that limit their ability to participate in the labour market and people with long term, chronic health conditions.

In our response we will draw on relevant evidence collected through CPAG’s Early Warning System, citing specific examples where possible, to illustrate the various ways in which our social security system is failing to meet people’s needs and driving people into poverty.

Is our welfare safety net working to prevent people falling into deprivation? If not, how could it better do so?

Our social security safety net is not working to prevent people falling into deprivation. CPAG would argue that preventing deprivation is a very narrow aim, but even on this measure our safety net is not effective. After seeing significant progress in reducing child poverty between 1998 and 2011, when child poverty fell by 1.1 million children, today we are facing a child poverty crisis with the IFS projecting that child poverty will increase to over 5 million children by 2022. As a result of a raft of deficit reduction measures which consisted of 85% spending cuts and only 15% tax rises, nearly £40bn pounds is being cut from social security every year, with devastating consequences for those in need of support.

CPAG believes that to be effective our social security system should fulfill a number of functions:

- Prevent and reduce poverty
- Provide support for those with additional costs eg. disability, childcare and caring responsibility for adults
- Provide crisis support and protect the vulnerable
- Provide redistribution between individuals and households as well as redistribution across a lifecycle
- Provide social insurance and promote social solidarity
- Support work and a healthy, stable economy.

Our system is working to some degree in relation to some of these criteria, but falls seriously short on others.

Preventing and reducing poverty

The ability of our safety net to prevent and reduce poverty is seriously hampered by the long-term freeze on benefits for people of working age. Already low levels of support have been reduced further by failing to keep pace with rising costs - minimum household costs have grown faster than the Consumer Prices Index as the price of many essentials such as food, energy and transport have risen more quickly than the price of goods and services generally. The biggest benefit savings have been achieved through benefit freezes and uprating benefits by the less generous CPI index. Together with cuts to universal credit (UC), these cuts have driven the greatest losses to children and families.

The value and role of contributory benefits has been eroded over the years, with the exception of pensions, reducing the potential for additional sources of income going into a household and also entitlement to individual benefit entitlements has been reduced to one year maximum. With UC going to one person in a household this arguably removes flexibility and redistributes income from women to men as women now have reduced access to their own entitlements.

Non-contributory benefits such as DLA/PIP and Child Benefit play important roles in meeting the additional costs of disability and children, thus playing a crucial preventative role. Yet PIP was introduced with a 20% cut in expenditure and CB has lost 23% of its value since 2010. More attention needs to be paid to the valuable preventative role that such benefits play in our social security system.

Provide support for those with additional costs eg. disability, childcare and caring responsibility for adults

Benefits for disabled people have been cut, with eligibility also being reduced, causing great hardship. The lack of disability premiums in universal credit indicates a lack of regard for the needs of those with additional costs arising out of disability or chronic illness. And support for disabled children in universal credit has been halved. These issues are explored in depth in the Committee's own report:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1770/177002.htm>.

Recent examples from CPAG's early warning system include:

- A universal credit claimant has been waiting for a work capability assessment at home for over a year. When questioned, the DWP replied that there just are not enough assessors in certain areas.
- A disabled couple and their disabled child will be £180 per week worse off on universal credit than they would have been previously because of the lack of disability premiums and restrictions in carers' premiums in universal credit.

Child benefit remains an important part of the social security system that recognises – to a degree – the cost of raising a child. It has a high take-up rate despite being taxed for higher earners and is generally received by the child's primary carer and is spent on children's needs. At times of crisis, when other benefits are delayed or withdrawn through sanctions, it is often the only support being received by some families. We witnessed this in food banks where families arrive often with only one source of income – child benefit. For this reason it must never be rolled into UC. It should, therefore, be maintained and uprated to keep pace with rising costs and its value should be restored.

Some solutions to poverty lie outside of the social security system, such as school meals and childcare. They play a crucial preventative and enabling role. For this reason, CPAG believes that school food should be provided for all children free of charge. As a result of the increase in-work poverty, eligibility for free school meals is reducing as child poverty increases. Families entering low paid work lose their free meals once over the eligibility threshold and this can have a major impact on the family budget. When families can't afford to replace the lost entitlement, children lose out on what might be their only hot meal of the day.

CPAG believes that childcare should be provided as a universal public service, given the benefit of good early years education and care to children as well as its importance in enabling parents to work. The 30 hours free childcare entitlement should be available to all

parents of 3 and 4 year olds, not just those working more than 16 hours at or above the minimum wage. It could also be usefully extended to all two-year olds. And comprehensive extended schools provision needs to be available from 8am to 6pm and throughout school holidays in order to improve attainment and support parental employment.

Whilst there is provision for help with the costs of childcare within the social security system, there remain significant barriers to accessing this support as the Select Committee's own recent report highlights:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1771/177102.htm>.

CPAG believes that support for childcare payments within universal credit should be provided as an advance payment directly to working parents.

Provide crisis support and protect the vulnerable

Support for people at times of crisis is wholly ineffective and the inadequacies of our safety net has become a driver of the need for crisis support, as evidenced by the growth in the use of food banks and other crisis support services run by charities. The loss the Social Fund and its replacement by LWAs which often do not provide cash support, or which claimants have no knowledge of, or which have closed altogether in some areas, has left a massive gap in provision.

The most common reasons for people being driven to using crisis support services include long delays in receiving support because of delays arising out of the design and administration of universal credit and some other benefits and also the hardship arising because of the imposition of sanctions. These sanctions frequently follow from inappropriate conditionality, where proper regard has not been paid to ill health, disability, caring responsibilities or other vulnerability.

Recent examples from CPAG's early warning system include:

- An ESA claimant with mental health problems missed a medical assessment following moving house – the move unsettled him and he was unable to deal with any benefits issues for at least a week. His ESA claim was stopped, resulting in him having no income and having to use a food bank. He can't use a computer but although he received some help starting his universal credit claim, he was unable to complete it himself.
- A claimant with a learning disability and literacy problems was refused help to claim universal credit online because he was deemed to be able to self-serve after being seen to read a text message. He survived on support from family and friends until his housing provider offered him assistance in response to increasing rent arrears.
- A care leaver moved from supported accommodation to independent living. He tried to claim universal credit himself but struggled with the bureaucratic requirements and failed numerous times to attend Jobcentre interviews. He was evicted due to insurmountable rent arrears.

- A claimant was forced to use a food bank after being sanctioned twice for not attending Jobcentre appointments as a result of a trapped nerve and migraines following a car accident. The housing costs element of his benefits didn't cover his rent because the benefit cap reduced his entitlement by £149 per month. He has significant rent arrears which he will be unable to pay even when the sanction period is over, leaving him at significant risk of eviction from his private tenancy.
- A woman escaping domestic abuse had no income for six weeks because she was not advised properly about which benefit to claim and then her claim was lost in the system.
- A woman fleeing domestic abuse with her children wanted to move to another local authority area, but there is no provision in universal credit for her to get her housing costs to cover the overlap in tenancies. Payments for two homes are available in relation to domestic abuse, but only if she intends to return to the first home – she does not.

Local emergency welfare assistance schemes have been run down to the point of non-existence in some areas. In other areas their existence is not promoted adequately, so those who could have benefited have gone unsupported or have been pushed towards charities that have stepped in where the state has failed to support the most vulnerable.

The most vulnerable families – refugees and asylum seekers – should also receive support from a system designed to prevent deprivation. Some of the most shocking conditions of poverty in the UK in 2019 can be found amongst those with 'no recourse to public funds'.

Provide redistribution between individuals and households as well as redistribution across a lifecycle

Rather than redistributing from the wealthiest to the poorest, our tax system has favoured the wealthiest at the expense of the poor. The government's decision to maintain a freeze on benefits whilst increasing personal tax allowances has resulted in 80% of the benefit going to the richest 20% in society. Distributional analysis from the IFS shows that reforms since 2010 have been regressive, falling largely on the poorest half of the income distribution. Relative child poverty has risen by 500,000 since 2010/11 and is set to rise by a further one million by 2021/22.

People have the greatest need for support when they have young children, but families with children have been particularly disadvantaged by two punitive measures that break the link between a family's needs and the support that they receive – the benefit cap and the two-child policy.

Those who have lost the most as a result of "austerity measures" include families with no adults in employment, lone parents and their children, larger families and families with disabled adults or children.

Recent examples from CPAG's early warning system include:

- A lone parent with 3 children who moved from the support group to the work related activity group following a work capability assessment decision that she is appealing. She is no longer exempt from the benefit cap, so she now has a shortfall of £430 per month. She was receiving discretionary housing payments for four months, but these are now stopping.
- A lone parent has been notified that she will be evicted because of the rent arrears she has accrued as a result of the benefit cap – her rent is £175 per week but she has been receiving just £13 in housing benefit.
- A Syrian refugee couple came to the UK with two children and expecting a third. They were renting privately with a monthly rent of £1,700. Their universal credit was affected by the benefit cap, with a monthly reduction of £589. Following the birth of their baby, they were affected by the two-child policy, so they are losing out on a further £231 for the child. Once their rent is paid, they have just £618 to meet the living costs for the whole family, forcing them to rely on a food bank.

Provide social insurance and promote social solidarity

The erosion of the social insurance elements of our social security system has also led to the erosion of the principle of social solidarity.

Our social security system is now largely based on means-testing, with a high degree of complexity that makes it difficult for claimants to predict the support available to them and how their entitlement may be affected by minor changes in circumstances. Means-testing also inevitably leads to more complex administration, higher costs and a greater number of errors. Although universal credit was widely welcomed by parliamentarians from all parties because it offered greater simplicity, in reality it retains the same levels of complexity by integrating a number of elements into an even larger but equally complex means-test.

As mentioned above, child benefit, the most widely claimed benefit that is not means-tested, should be supported and its value restored as it continues to be paid to families even when the complex, means-tested system fails.

The government's narratives on 'welfare reform' has contributed to a hostile environment for those receiving social security support, with claimants being vilified in the media eg. the narrative that talks about "being fair to taxpayers as well as claimants" implies that there are two separate groups of people, whereas the reality is that often people are both.

The latest British Social Attitudes Survey (British Social Attitudes 35) indicates increased support for topping up wages for low paid workers (58% in favour), particularly lone parents (70% in favour). This may indicate that following years of austerity there remains some degree of social solidarity that could be built on to win public support for a fairer and more effective safety-net.

Support work and a healthy, stable economy.

Any effective social security system should support work and a stable economy. The increase in in-work poverty has meant that work is not the route out of poverty it should be. Although universal credit was hailed as a reform to ensure that being in work would make families better off, that is not the experience of many working families. Because of the cuts to its budget, its design and its administration, universal credit has meant that often low paid families have little security to be able to make ends meet on a tight budget – long delays in receiving support force families into debt; clunky monthly assessment periods result in irregular payments; administrative barriers mean that families are unable to take advantage of child care support; and there is a lack of adequate support for self-employment.

Recent examples from CPAG's early warning system include:

- A working lone parent with a universal credit assessment period running from 28th of one month to the 27th of the following month was paid for two months' wages in her November-December assessment period because her employer paid her on 29 November and then early for Christmas on 20 December. As a result she will lose out on a work allowance, not receive any universal credit and will then have to reclaim the following month.
- A self-employed man broke his arm and was unable to work. His work coach set the minimum income floor at 35 x the national minimum wage. Even though he received no income, the universal credit calculation assumed that he received the minimum income floor and was, therefore, not entitled to any money. As a result, he accrued rent arrears and began developing mental health problems.

The recent restoration of work allowances for some in the budget of Autumn 2018 was welcome, but this has only put back £1.7 billion from around £3 billion of cuts from work allowances.

One of the causes of in-work poverty is the recent growth in low paid, insecure employment – without minimum hours, a minimum wage will only go so far in preventing poverty. The other missing piece in the jigsaw to make work pay is the need for progression once people are in work - without this people will move in and out of work, perpetually in poverty.

Increasingly, it is second earners who have been responsible for improvements in family living standards over the past few decades. Few couple families can escape poverty without at least one and a half workers. So it is a serious defect of universal credit that it does not encourage second earners, provides few work incentives and makes it hard to claim childcare costs.

Key principles for an effective social security system

As well as fulfilling the functions discussed above, we believe that an effective safety net should operate in accordance with some key principles. Operating principles are particularly important to the 'experts by experience' with whom we have worked and CPAG proposes that the social security system should:

- Be simple and flexible
- Promote social integration and reduce inequalities
- Promote individual autonomy and ensure human dignity
- Treat people with respect
- Ensure people receive their entitlements on the basis of their rights and not discretion.