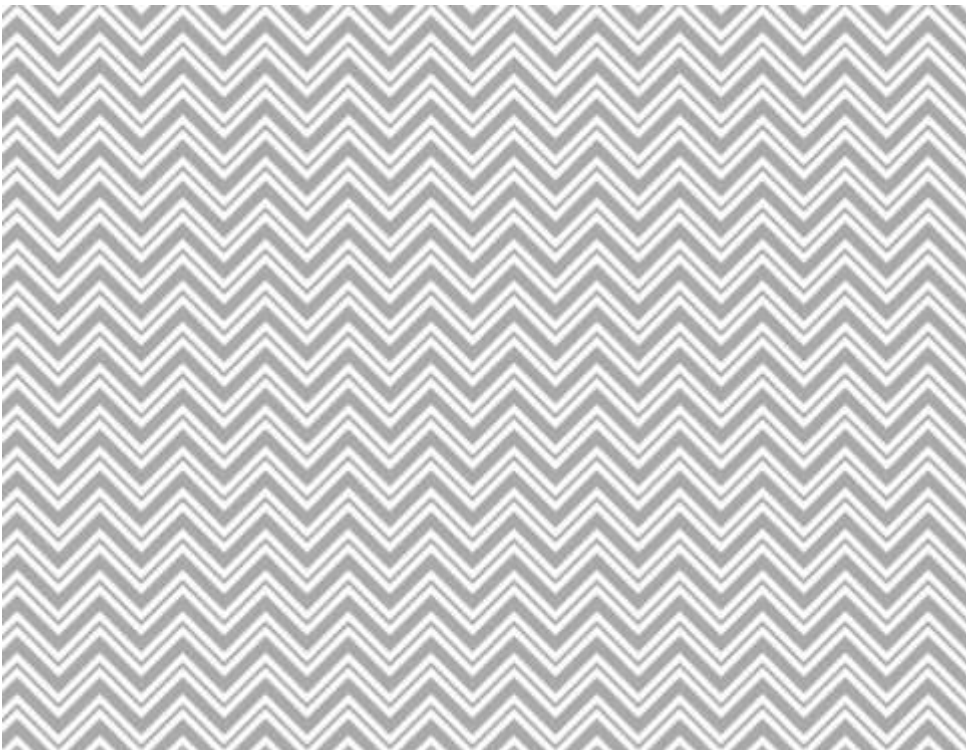


# Working-age Social Security Policy Consultation Paper

Consultation Paper 123  
Spring Conference 2016



# Background

This consultation paper represents the first stage in the development of new Party policy on working-age social security. Designed to stimulate internal/external discussion and debate, this paper is not yet representative of agreed Party policy. Key questions are listed but additional thoughts on other relevant issues are welcome.

During 2016, a consultative session at Spring Conference will discuss this paper. A fully costed policy paper, based on consultation and working group deliberations, will be presented for debate at Autumn Conference.

This paper was developed by a working group appointed by the Federal Policy Committee. Members of this group, chaired by Jenny Willott, are available to speak to external organisations or internal Party meetings.

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Comments should reach us no later than 8<sup>th</sup> April 2016.

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# 1. Context

## 1.1 Introduction

1.1.1 The remit covers social security for working-age adults and children. Pensions are excluded, but other pensioner benefits may be considered.

1.1.2 The focus is the social security system, but its interaction with other areas, such as skills, the labour market or taxation, will be considered, as will the Party's commitment to the wellbeing of and impact on groups with protected characteristics.

1.1.3 Both the Liberal Democrat vision for the future and response to current Government policy should be considered including:

- Fundamental objectives of the system.
- Poverty measurement and child poverty targets.
- The future shape of the system, including the future of Universal Credit ('UC') and the other benefits that remain outside or are superseded by it.
- Devolution of social security.
- The role of the system in supporting people into work and at work.

## 1.2 Historical Context

1.2.1 Liberals have a proud record on social security policy. Asquith and Lloyd George's Liberal Governments introduced state pensions in 1908 and then the first comprehensive health, sickness and unemployment insurance. Beveridge, the architect of the post-war welfare state, was a Liberal.

1.2.2 Social security spending in 1948, including pensions, was around £12 billion in today's prices (4% of GDP). By 1983, this had

risen to almost £90 billion (12% of GDP), as eligibility and payments became more generous.

1.2.3 Since 1983 social security spending has grown in line with the economy, remaining between 10% and 13% of GDP. It fluctuated mainly due to the economic cycle, although it did rise despite strong economic growth following the millennium. This was largely because of increased spending on tax credits targeted at low-income families.

1.2.4 Other trends include a big reduction in the proportion of spending on contributory benefits, a significant increase in the proportion of working-age benefits that are means-tested (from 25% in 1979 to 80% in 2014), and a doubling of Housing Benefit expenditure in real terms over the last two decades.

1.2.5 By 2014/15, total government spending on UK benefits (including tax credits) had reached approximately £214 billion (29% of total public expenditure, 12% of GDP, or £3,300 for every person in the country). However, the state pension represents about £90 billion of this (over 40%). This compares to health spending of around £110 billion. Of the 17.5 million working-age households with someone in work, around 8.4 million are eligible for benefits. 2.9 million working-age households have no-one in work.

## **1.3 Existing Liberal Democrat Policy**

1.3.1 The last comprehensive policy papers in this area were 'Freedom from Poverty, Opportunity for All' (Policy Paper 80, 2007) and 'Opportunity and Independence for All: Proposals to Improve the Tax and Benefits System' (Policy Paper 7, 1994).

1.3.2 The Liberal Democrat 2015 General Election Manifesto ('Manifesto') set out a range of social security policies. Most recently, Autumn Conference 2015 passed the motion 'No-one

Should be Enslaved by Poverty', including opposing the Government's planned £13 billion benefit cuts in full.

## **1.4 Glossary of Abbreviated Terms**

C-ESA	Contributory ESA
CI	Citizen's Income
C-JSA	Contribution-based JSA
CTC	Child Tax Credit
DLA	Disability Living Allowance
DWP	The Department for Work and Pensions
ESA	Employment and Support Allowance
I-ESA	Income-related ESA
I-JSA	Income-based JSA
JCP	Jobcentre Plus
JSA	Jobseeker's Allowance
LHA	Local Housing Allowance
Manifesto	Lib Dem 2015 General Election Manifesto
NI	National Insurance
NICs	National Insurance Contributions
NIT	Negative Income Tax
PIP	Personal Independence Payment
WCA	Work Capability Assessment
WRAG	Work-Related Activity Group
WTC	Working Tax Credit
UC	Universal Credit

## 2. Fundamental Objectives

### 2.1 Principles and Values

2.1.1 Our values and principles influence how we approach policy. Some statements are proposed below for discussion purposes.

2.1.2 As liberals our goal is to help break down barriers, such as poverty, which hold people back.

2.1.3 We should start with the causes of poverty, which often result from policy failure elsewhere. Interventions tackling the causes of poverty should be balanced against cash payments designed to relieve it.

2.1.4 The primary role of the system must be to provide a safety net and prevent destitution.

2.1.5 The state should also encourage people to take responsibility for themselves. A job builds self-esteem and is linked to better health, so the system must tackle barriers to work in all forms. There should be more support to help people with disabilities or health conditions return to work, whilst recognising that some may never be able to work.

2.1.6 The state should also help those in work move out of poverty and support social mobility.

2.1.7 Solutions should look at people's lives in the round and the system as a whole. The social security system must work more closely with other areas such as taxation, housing, education, health and social care.

2.1.8 We will treat people on benefits with dignity and respect and will never demonise them.

2.1.9 A fair system has consistency in benefit levels to allow transfers between prosperous and less prosperous regions. However, delivery of support is most effective when localised.

2.1.10 The system needs the confidence of claimants and support of the wider public to be effective and sustainable. It must have robust eligibility criteria while remaining simple and cost effective, allowing people to retain control over their lives, and being seen as fair to all.

2.1.11 The system needs to recognise the contributions of those who pay in whilst ensuring that young people are not disadvantaged because they have not yet been able to contribute.

2.1.12 The system should ensure support for those in need, and require the richest in our society to contribute most.

## Questions

1. *Do the suggested principles above form a good basis for our approach to social security policy? Which are most important?*
2. *How can we ensure the system takes a holistic approach?*
3. *How can we build broad public support for the benefit system?*
4. *Should there be residency time limits before someone is eligible for UK benefits?*
5. *Is the proportion of working-age people currently receiving benefits appropriate? If not, what proportion is?*

## 2.2 Underlying Approaches

2.2.1 The following approaches are all found to some extent within our current system.



## *Working-age Social Security*

2.2.2 The 'contributory' principle bases entitlement to benefits on an individual's past payments into the system.

2.2.3 Entitlement to 'means-tested' benefits is based on a claimant's (or their partner's) level of income or savings. Entitlement could combine both a contribution threshold and a means-test.

2.2.4 'Universality' refers to entitlement purely based on some specified circumstance or need, irrespective of income or contribution history, e.g. some disability benefits. Many state funded 'benefits in kind', considered part of the broader welfare state, are free to all regardless of income, e.g. the NHS.

2.2.5 'Conditionality' refers to the requirement to meet certain standards of behaviour (such as demonstrating actively looking for work) in order to receive benefits. The consequences of not meeting the conditions are 'sanctions', e.g. benefit withdrawal for a specified period.

2.2.6 Support can come as cash payments or 'benefits in kind' via provision of free services. For instance, childcare costs can be covered by cash payments to families or state funded nurseries.

2.2.7 Currently, we have a 'tripartite' system, with differing treatment for those in the 'young', 'working-age' and 'pensioner' categories.

## **Questions**

- 6. How important are the principles behind contributory, means-tested and universal benefits? What should the balance be between them?*

7. *Is there an income level at which you should no longer receive support from the state, e.g. Winter Fuel Payment or tax-free childcare?*
8. *Should receipt of benefits be subject to conditionality, depend solely on need, or be paid by right?*
9. *To what extent should there be sanctions for breaching conditions attached to benefits, and how extensive should they be?*
10. *Are there better ways to approach support across the lifecycle than the current tripartite system?*

## **2.3 Objectives and Functions**

2.3.1 A number of objectives or functions of the social security system are proposed below for discussion purposes.

2.3.2 The system could be redistributive, transferring resources from wealthier citizens to those in poverty or at most risk of deprivation.

2.3.3 It could provide a form of savings vehicle. This could allow individuals to smooth their income over their lifetime (e.g. helping families with children during a period of greater financial need) or protect themselves against risks such as unemployment.

2.3.4 It could provide a risk-sharing function, protecting individuals against uncertain events, such as losing a job or becoming disabled. This could be approached actuarially, as with private insurance, with individual contributions matched to risks (no inbuilt redistribution from rich to poor). A social insurance approach is the same but ensures compulsory membership where the market falls short. Insurance could incorporate redistribution, with contributions based on ability to pay and benefits based on need.

2.3.5 The system could provide 'social investment' in human capital to grow the economy and improve citizens' future wellbeing. e.g. back-to-work support could increase productivity and reduce future benefit expenditure.

2.3.6 Economically speaking, the system could provide 'economic stabilisers', countering recession by automatically increasing spending via unemployment benefits. More broadly, state provision of social security could be seen as a legitimate response to market failure that improves economic efficiency.

2.3.7 Relieving poverty itself could be the primary objective, such as by guaranteeing a minimum standard of living. Section 2.4 considers this poverty objective.

2.3.8 The system could aim to reduce social exclusion or increase social solidarity, attempting to reduce stigma or other social disadvantages arising from poverty that limit wellbeing or potential.

2.3.9 The system could also aim to compensate for other inherent disadvantages or inequalities.

## **Questions**

- 11. Where should the balance lie between the functions and objectives described above?*
- 12. Should the benefits system be more redistributive and which taxes should be increased to pay for this?*

## **2.4 Poverty Measurement**

2.4.1 If poverty alleviation is an objective, we should properly define poverty and associated measures and targets.

2.4.2 Current official poverty measures are income based and include relative and absolute measures. 'Relative poverty' is

defined as having an income below 60% of current median household income. 'Absolute poverty' is defined as having an income below a fixed base of 60% of the 2010/11 median household income (uprated by RPI inflation). Household income is measured after taxes and benefits, before housing costs, and is 'equivalised' to adjust for different household sizes and compositions.

2.4.3 Alternatively, expenditure-based measures define poverty as being unable to afford certain items. For example, the Joseph Rowntree Foundation produces regular estimates of 'Minimum Income Standards' ('MIS') based on what the public thinks is a minimum acceptable household budget. In 2015 the MIS for a single working-age adult, excluding rent, council tax and childcare, was £182.65 per week.

2.4.4 The Child Poverty Act 2010 included four targets to be met by 2020:

- Reduce the proportion of children in relative poverty to less than 10%.
- Reduce the proportion of children in absolute poverty to less than 5%.
- Reduce the proportion of children in combined 'material deprivation' and low income to less than 5% (unable to purchase key goods and services, and household income below 70% of the median).
- Reduce the proportion of children in 'persistent' poverty to less than 7% (being in relative poverty for three of the past four years).

2.4.5 The Institute for Fiscal Studies sees no possibility of the 2020 targets being met under any plausible scenario, projecting that by 2020 21% of children (3 million) will be in relative poverty and 25% (3.5 million) in absolute poverty.

2.4.6 The Government plans to remove its duty to meet the Child Poverty Act targets. Instead, it will report annual data on 'life chances', including:

- Children in workless households.
- Children in long-term workless households.
- Educational attainment at GCSE and equivalent.
- Educational attainment of disadvantaged children at the same stage.

2.4.7 In 2010, an independent review by Frank Field recommended new life chance indicators to run alongside existing financial poverty measures, including child development, parental and environmental factors. In 2012, a Government consultation suggested a multidimensional measure including income and material deprivation, worklessness, parental skills, health and family stability, poor housing, debt and access to quality education.

## Questions

- 13. Should we base policy decisions on relative poverty, absolute poverty or other measures?*
- 14. What level should people be expected to live on if their sole source of income is benefits?*
- 15. What elements should be included in a measurement of poverty or child poverty?*
- 16. Should we maintain the 2020 target to eradicate child poverty?*

## 3. The Future Shape of the System

### 3.1 Alternative Structural Approaches

3.1.1 There are several overall 'structural' approaches to implementing a social security system.

3.1.2 The current system consists of at least 40 separate benefits, mostly means-tested, with administration split between the Department for Work and Pensions ('DWP') and HMRC. Some benefits are paid universally based on characteristics (such as disability) or National Insurance Contributions ('NICs'). The tax and National Insurance ('NI') systems mostly operate separately from the benefits system and some benefits are taxable whereas others are not.

3.1.3 The Coalition Government introduced UC and full implementation is now expected by 2021. UC replaces:

- Income Support
- I-JSA
- I-ESA
- Housing Benefit
- CTC
- WTC

3.1.4 The Liberal Democrats support UC for its aims of simplifying the system, improving work incentives, tackling poverty and reducing fraud and error. Our Manifesto committed to completing its introduction, whilst reviewing 'cliff edges' in work incentives.

3.1.5 Thinking about alternative structures, the idea of a 'Citizen's Income' ('CI') (or 'Minimum Income' or 'Basic Income') has been revived recently. The Green Party proposed a form during the

2015 General Election and it is being trialled in Finland and the Netherlands. Under CI the state makes the same flat direct payment to every individual by right, irrespective of income, which replaces almost all existing benefits but is taxable.

3.1.6 CI proponents argue that it vastly simplifies the system, reduces administration costs, improves work incentives (by removing high marginal effective tax rates) and provides a reliable safety net. Critics say it is expensive, requires major upheavals to fund (such as abolishing personal tax allowances and increasing income tax rates) and cannot adequately deal with differing needs (e.g. disability or high variations in housing costs). Concerns also include the public acceptability of providing a universal income regardless of individual wealth without associated responsibilities.

3.1.7 A 'Negative Income Tax' ('NIT') is an alternative means of achieving CI outcomes. NIT includes all benefits effectively being administered through the tax system. Employers or the government top up wages below a threshold and deduct tax above it. UC and tax credits aim to achieve this goal in some ways.

3.1.8 Beyond major structural alternatives, other options include giving greater responsibility or encouragement to employers to support sick or disabled employees.

3.1.9 There could be a greater role for the private sector in providing protection products. Tax breaks could encourage private unemployment insurance in a similar way to pensions. Alternatively, we could move towards compulsory private insurance, paid for by individuals and/or businesses, as in many European countries.

3.1.10 Some countries, such as Singapore, make use of 'personal welfare accounts', individual savings pots incentivised by matched funding from government, which can be tapered away based on savings level or income. Access can be restricted to

periods of need, such as unemployment or sickness. Personal welfare accounts reduce work disincentives and allow everyone to have a stake in the system.

## Questions

- 17. What more can be done to integrate UC and other benefits with the personal tax and NI system, avoiding high deduction rates where they overlap?*
- 18. Is UC the best way to simplify the benefit system or are there better ways?*
- 19. Should we consider paying benefits in the form of tax rebates?*
- 20. If they both produce the same incomes, should we use means-testing to withdraw benefits or combine universal benefits with higher taxes?*
- 21. Should we keep UC as the basis of most working-age benefits or scrap it? Should we move to CI or NIT, or another system?*
- 22. There would be costs associated with scrapping UC. What costs would be acceptable?*
- 23. Should we consider an insurance-based system? Should this replace or add to the status quo?*
- 24. Should we introduce financial incentives to encourage private top-ups, e.g. tax relief on job loss insurance premiums?*
- 25. Should we make greater use of private sector insurance and should this be funded by individuals or businesses?*
- 26. Should we encourage employers to provide additional insurance cover as an employment perk and if so how?*
- 27. Should we consider introducing 'personal welfare accounts'?*



## 3.2 Improving Universal Credit's Structure

3.2.1 Around 7.7 million households were originally predicted to receive UC when fully introduced. Whatever the Party's long term vision for UC, we should consider what medium term improvements can be made.

3.2.2 Focusing first on structure as opposed to implementation or delivery, UC awards comprise a standard allowance plus additional amounts for children, housing, disability, childcare or caring. Families keep 100% of any earned income up to a 'work allowance'. Net earnings above this reduce the UC award at a constant rate of 65% ('taper rate'). The Government intends to reduce UC awards and work allowances, and limit the child element to two children.

### Questions

*28. What improvements to the structure of UC could we make (e.g. level of award, work allowances or taper rates) and how should we respond to the Government's cuts?*

*29. Which other benefits should be subsumed within UC?*

## 3.3 Improving Experience and Delivery

3.3.1 Rollout of UC has been bedevilled with problems and delays: only 175,000 people are currently on UC even though it was originally predicted that 4.5 million would be receiving it by 2016. Full implementation is now not expected until 2021.

3.3.2 While there is much to criticise on UC rollout, we should also think more broadly about delivery of services and user experiences in the benefits system generally. For example, delays

in processing benefits and harsh application of sanctions have caused hardship and stress to many. We should consider processing efficiency, the move towards digital benefit applications, the change to monthly payments rather than fortnightly or weekly, how people are treated, and how the system works for the most vulnerable.

3.3.3 As the focus moves towards getting people into work, we need to also consider how the system treats those who can never work.

## Questions

30. *What could be done to improve or speed up the process of claiming benefits to make it better for claimants?*
31. *How could we improve the take-up of benefits amongst those eligible, particularly amongst the most vulnerable (e.g. better government data sharing between DWP and the Department of Health)?*
32. *How can we make the system work better for the most vulnerable, such as the homeless or those with mental health issues or learning disabilities? What about those who can never work?*
33. *How can we ensure claimants feel well supported by JCP? What more could we do to ensure JCP staff have all the tools they need (e.g. support or training) to best achieve this?*
34. *Do we need sanctions, and if so how can we ensure the sanctions system is seen to work fairly, particularly for those with limited understanding?*
35. *How frequently should UC payments be made, and should there be different payment options for different people?*

## **3.4 Devolution or Regional Variation**

3.4.1 Significant changes underway affect the powers that devolved national governments and local authorities have over social security.

3.4.2 Currently, social security is a 'reserved matter', meaning Westminster retains all powers over it. The Scotland Bill proposes devolving various powers to the Scottish Parliament.

3.4.3 The Cities and Local Government Devolution Bill will enable 'Devolution Deals' between central government and combined authorities (joint local authority bodies). Similar to 'City Deals', these agree to devolve powers such as skills, training, unemployment and business support.

3.4.4 Our Manifesto proposed devolving powers over disabled, carers' and older person's benefits to national governments, and the Work Programme to local authorities.

3.4.5 In addition to devolving delivery and control, regional variations in benefit levels could be considered. Although most benefits are consistent nationally, Housing Benefit varies according to regional housing costs. Soon the Benefit Cap level will differ between Greater London and elsewhere.

### **Questions**

*36. Should we devolve more to local authorities in England and the Welsh and Scottish governments? If so, what areas?*

*37. What would the role of local JCPs be if areas of work are devolved to local authorities?*

*38. How can we protect long term funding for those areas that are devolved?*

*39. Should we consider regional benefit levels or regional Benefit Caps?*

## 4. Key Benefit Areas

### 4.1 Overview of the Current System

4.1.1 Total spending on UK cash benefits and tax credits, excluding pensions, is projected to be £121 billion in 2015/16.

4.1.2 Coalition Government reforms saved approximately £21 billion annually relative to an unreformed system, which levelled off a continuing upward trend in real social security spending.

4.1.3 The current Government intends to reduce expenditure by a further £13 billion annually in real terms by 2020/21. At the time of writing these proposals are proceeding through Parliament:

- £5.8 billion saved via changes to tax credits and UC. (Although the proposed tax credit cuts were mainly reversed following House of Lords opposition, the same cuts effectively remain in UC, meaning the level of cuts by 2020/21 is similar.)
- £4.0 billion saved via a four-year freeze to working-age benefits.
- £2.0 billion saved via changes to housing support.
- £0.6 billion saved by abolishing the ESA WRAG component.
- £0.5 billion saved by lowering the household Benefit Cap.

4.1.4 Our Manifesto proposed social security policies that would have resulted in a reduction in total spending of around £2 billion. Autumn Conference 2015 passed a motion opposing the £13 billion cuts above.

4.1.5 Most benefit levels were updated annually with inflation until 2013, at which point a 1% cap on uplifts for three years was applied to most working-age benefits. Our Manifesto proposed extending this to 2017/18. The Government has now proposed

freezing most working-age benefits (except disability benefits) for four years.

4.1.6 The 'Benefit Cap' limits total benefits, excluding disability benefits, to £26,000 per annum for out of work households. The Government proposes reducing this to £23,000 in Greater London and £20,000 elsewhere.

4.1.7 The rest of Section 4 looks in more detail at the main current cash benefits<sup>1</sup>:

- ESA – £10.4 billion – 1.8 million claimants.
- PIP or DLA – £13.9 billion – 3.3 million claimants.
- Carer's Allowance – £2.1 billion – 650,000 claimants.
- Access to Work – £110 million – 35,000 claimants.
- I-JSA – £3.9 billion – 1.1 million claimants.
- C-JSA – £0.5 billion – 170,000 claimants.
- Income Support – £3.6 billion – 1.0 million claimants.
- Housing Benefit – £23.9 billion – 5.0 million claimants.
- Child Benefit – £11.2 billion – 7.3 million claimants.
- CTC – £23.0 billion – 4.1 million claimants.
- Statutory Maternity, Paternity, Adoption Pay – £2.7 billion – 350,000 claimants.
- WTC – £6.3 billion – 2.5 million claimants.
- Winter Fuel Payments – £2.2 billion – 12.6 million claimants.
- Free TV Licences – £600 million – 4.4 million claimants.
- Attendance Allowance – £5.4 billion – 1.5 million claimants.

## Questions

*40. Is overall spending on working-age social security about right? Where is spending too high or too low?*

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<sup>1</sup> Approximate figures for 2013/14 excluding Northern Ireland (worth around £4 billion in total). Total spending on benefits listed is £110 billion. Spending on benefits not listed totals around £6 billion. There was no significant increase in total benefit spending (excluding pensions) between 2013/14 and 2015/16 projections.

41. *For each section below, what savings could we propose to help fund other measures?*
42. *Some groups may be affected by benefit cuts more than others. What should be done to protect against direct or indirect discrimination?*
43. *Many aspects of the benefits system are less generous towards younger people. Should this intergenerational inequality be reduced and if so how?*
44. *What approach should we take towards benefit uprating?*
45. *What should our policy be on the Benefit Cap?*

## **4.2 Disability, Sickness and Carers' Benefits**

4.2.1 Short term illness is generally covered by 'Statutory Sick Pay'. For longer term sickness or disability, 'Employment and Support Allowance' ('ESA') is the main benefit covering living costs. The main rate is £73.10 per week plus additional amounts depending on circumstances.

4.2.2 Entitlement to ESA is assessed via the 'Work Capability Assessment' ('WCA'). Claimants are assessed into three categories: (i) Fit to work; (ii) Work-Related Activity Group ('WRAG'); or (iii) Support Group. Both WRAG and Support Group receive ESA but WRAG payments are lower and conditional upon undertaking 'work-related activities' (e.g. work-focused interviews). The Government proposes abolishing the WRAG supplement, aligning the ESA WRAG rate with JSA.

4.2.3 Contributory ESA ('C-ESA') is paid to claimants with sufficient NICs, limited to 12 months for WRAG. Income-related ESA ('I-ESA') is paid to those who do not satisfy the NI criteria but pass a means test. I-ESA will be subsumed into UC.

4.2.4 A separate non-means-tested benefit covers additional costs facing the disabled such as daily care and/or mobility needs.

Until recently this was 'Disability Living Allowance' ('DLA'), which is being replaced by 'Personal Independence Payment' ('PIP'), with different eligibility criteria. PIP replaced DLA for new claimants in 2013. Reassessment of existing DLA claimants is ongoing.

4.2.5 WCA and PIP assessments have raised concerns such as: no legal aid available to challenge decisions; assessments outsourced to private contractors; a suspicion that the main objective is saving money.

4.2.6 Carer's Allowance supports working-age people providing at least 35 hours a week of care to someone receiving PIP, DLA or Attendance Allowance. The basic allowance is £62.10 per week, and carers may not earn more than £110 per week.

4.2.7 'Access to Work' grants provide practical support such as special equipment or adaptations to help people with a disability, health or mental health condition into work.

4.2.8 Our Manifesto proposed: reviewing the WCA and PIP assessments; aiming for one assessment and one budget for disabled and sick people; expanding Access to Work; raising the earnings limit for carers to £150 per week; consulting on five days paid 'care leave'; introducing a £250 'Carer's Bonus'.

## Questions

*46. Does the Statutory Sick Pay system work well? Are there any changes that should be made?*

*47. Should we consider an approach like the Dutch system, where employers play a larger role in supporting sick people back to work?*

*48. Should we reform the ESA framework of assessment into the three categories? How could it better support those with chronic and fluctuating conditions?*

49. *How can we ensure claimants have confidence in the WCA and PIP assessments?*
50. *What could be done to improve decision-making in DWP and ensure redress for failures?*
51. *Should the WCA include an assessment of whether claimants are fit for the jobs available in the local economy?*
52. *Should WCA and PIP assessments be brought back in-house to JCP? What would be the cost of doing so?*
53. *How can we better support disabled people into work or at work?*
54. *What more can be done to help people stay in work or keep their job open if they have an accident or fall sick?*
55. *Could employers be incentivised to invest more in keeping staff on, and if so how?*
56. *What should be the future of Access to Work and how can we increase take up?*
57. *How much should Carer's Allowance pay, e.g. should it be the same level as JSA? Should we reconsider the income limit?*
58. *Should we maintain the policy of providing a Carer's Bonus? Is this a good use of money?*

### 4.3 Out of Work Benefits

4.3.1 'Jobseeker's Allowance' ('JSA') supports those able to work but unemployed (not working more than 15 hours per week). It is worth £73.10 per week (£57.90 if under age 25).

4.3.2 JSA is conditional on undertaking activities such as job search, otherwise sanctions can be imposed. After claiming JSA for 12 months (9 months if under 25), claimants must participate in the Work Programme (see section 5.1).

4.3.3 The main form of JSA, Income-based JSA ('I-JSA'), is means-tested and will be subsumed within UC. Contribution-



based JSA ('C-JSA'), for those with sufficient NI contributions, is payable for six months with a less stringent means-test.

4.3.4 'Income Support' supports people on low incomes who are not on JSA, ESA or in 'full time' work (who may claim WTC). Income Support now mainly supports single parents with a child under age 5. It will be subsumed within UC.

4.3.5 Our Manifesto proposed no league tables or targets for sanctions and a 'yellow card' warning so sanctions only apply after repeated breaking of rules.

## Questions

*59. What improvements could be made to the system for the unemployed who are able to work?*

## 4.4 Housing Benefits

4.4.1 'Housing Benefit' helps people on low incomes (in or out of work) with their rent, whether renting privately or from a social housing provider. Separate mortgage support, attached to JSA, ESA and Income Support, is available for homeowners. The amount depends primarily on rental cost and family composition, and tapers away as earnings rise.

4.4.2 The amount for private renters is set by the 'Local Housing Allowance' ('LHA'), which varies by region. It is set at the 30<sup>th</sup> percentile of local private sector rent levels in 2012/13, subject to the 1% benefit uprating cap and now the proposed benefit freeze, with national caps overlaid. For single private renters under 35 with no dependents, the amount is limited to the cost of renting a single room in a shared house (the 'Shared Accommodation Rate' or 'Single Room Rate'). The Government recently announced that from 2018 Housing Benefit for social housing tenants will also be capped at the LHA rates.

4.4.3 'Under-Occupancy' rules have applied since 2013 (known as the 'Spare Room Subsidy' or 'Bedroom Tax'). If a house is deemed too large for their needs these rules reduce the amount paid to social housing tenants by 14% for one extra bedroom and 25% for two or more.

4.4.4 From 2017, unemployed people aged between 18 and 21 will lose automatic entitlement to Housing Benefit unless they have dependent children.

4.4.5 Housing Benefit will be subsumed within UC, and all payments will be made direct to tenants. Housing Benefit is currently, in most cases, paid to private tenants but direct to the landlord for those in social housing.

4.4.6 The Government plans to reduce the cost of Housing Benefit mainly through reducing social housing rents by 1% annually until 2020. Around 1.2 million social housing tenants not receiving Housing Benefit will benefit.

4.4.7 Our Manifesto proposed: encouraging landlords to lower rents by paying them Housing Benefit directly; reviewing the Shared Accommodation Rate; reforming Under-Occupancy rules so they do not apply to those with medical reasons for requiring a larger house or until tenants have been offered reasonable alternative accommodation.

## **Questions**

*60. How should we respond to the reductions in social housing rents?*

*61. How should we reform Housing Benefit?*

*62. What changes could be made to bring down the cost of Housing Benefit whilst encouraging more private landlords to take tenants on Housing Benefit?*

## 4.5 Benefits for Families

4.5.1 'Child Benefit', recently withdrawn from households with one adult earning more than £50,000, is near-universal. It pays £20.70 per week for the eldest child and £13.70 per week for subsequent children.

4.5.2 'Child Tax Credit' ('CTC') is means-tested and will be subsumed within UC. Available in or out of work, it is dependent on number of children and personal circumstances. Currently it tapers away at a rate of 41% as gross earnings rise above a 'work allowance'. Of 3.8 million families receiving CTC, around 2.6 million are in work.

4.5.3 The current Government proposed increasing the taper rate and reducing work allowances for CTC and WTC (see section 4.6). These proposals were cancelled following opposition in the House of Lords. The Government still plans to remove the family elements of tax credits and limit child elements to two children.

4.5.4 The final major category of family benefits includes Statutory Maternity, Paternity, and Adoption Pay.

### Questions

63. *Should Child Benefit be universal or means-tested? If means-tested, is the current system right?*
64. *Should there be a limit on the number of children for whom you can receive child-related benefits? If so, what exemptions should apply?*
65. *Should the children of child-related benefit recipients have to reside in the UK?*

## 4.6 Working Tax Credit

4.6.1 The remaining significant working-age benefit is 'Working Tax Credit' ('WTC'), which supports those in work on a low income. Claimants (or partners) must be in 'full-time' work, usually

meaning at least 30 hours per week (16 hours per week for disabled people or single parents). Couples with children must work a combined total of at least 24 hours per week, with one parent working at least 16 hours. WTC will be subsumed within UC.

4.6.2 People may receive WTC, or CTC, or both. They are subject to a joint means test, with WTC and CTC awards being tapered away at a rate of 41% as gross earnings rise (see paragraph 4.5.2). The work allowance is higher for those only eligible for CTC than for those eligible for WTC or both.

4.6.3 Approximately 1.8 million families receive both WTC and CTC, with about 0.5 million receiving WTC only.

## Questions

66. *How can we protect from poverty those on the lowest incomes who work?*
67. *Do tax credits achieve this or are there better ways, such as increasing the minimum wage?*
68. *Where should the balance lie between withdrawing benefits as income increases and ensuring there are strong financial incentives to earn more?*

## 4.7 Benefits for the Elderly

4.7.1 Pension payments are not within this remit but there are other benefits that pensioners claim:

- 'Attendance Allowance' supports those over 65 who require care or supervision.
- Winter Fuel Payments are annual non-means-tested payments to pensioners of between £100 and £300 depending on personal circumstances.
- All pensioners aged 75 or over receive Free TV Licences (worth £145.50).
- All pensioners receive a free bus pass.

4.7.2 Our Manifesto proposed withdrawing Winter Fuel Payments and Free TV Licences from pensioners paying higher rate tax, but retaining free bus passes for all.

### **Questions**

*69. Should we means-test Winter Fuel Payments or Free TV Licences?*

*70. Are there other ways we can reform pensioner benefits?*

## 5. Back-to-Work and In-Work Support

### 5.1 Supporting People into Work

5.1.1 In addition to cash payments, the social security system provides non-financial support for people to get into work. The main support currently is the 'Work Programme' which JSA claimants must participate in after a certain length of time. 'Work Choice' provides specialist support, for those with disabilities or health conditions, on a voluntary basis.

5.1.2 The Work Programme and Work Choice are contracted out to private, voluntary or public organisations paid by the government based on their record of moving claimants into sustained employment. 'Prime Providers' subcontract to around 850 different local providers.

5.1.3 The Work Programme has faced criticism, including: not being integrated enough with local services; not being sufficiently tailored for those with disabilities or complex needs; concern over the payment-by-results model.

5.1.4 The Government recently announced a new 'Work and Health Programme' to replace the Work Programme and Work Choice when current contracts expire. This will provide specialist support for claimants with health conditions or disabilities and those unemployed for two years. Indications are that spending on the new programme will be significantly lower than on those it replaces, which will probably impact support for people without health conditions most heavily.

5.1.5 Our Manifesto proposed: reforming the Work Programme by devolving it to local authorities and improving incentives for Work Programme and Jobcentre Plus ('JCP') staff; developing

specialist support for carers; providing more tailored work experience placements; improving links between JCPs, Work Programme providers and the local NHS.

## Questions

- 71. What reforms should we advocate to the system of contracted out back-to-work support?*
- 72. How can we best provide appropriate support for those hardest to help, such as those with disabilities, mental health or addiction problems, the long term unemployed, or ex-offenders?*
- 73. What changes could be made to the payment or incentive structures of contracted provision?*
- 74. Should there be a larger role for JCP staff in providing back to work support and how could this be integrated more effectively with other local services?*

## 5.2 Supporting People at Work

5.2.1 The system supports people back into work, but UC also aims to incentivise people to progress once employed, working longer hours and earning more. This is important as around half those in poverty now live in a working household and children of working families comprise almost two thirds of children in relative poverty.

5.2.2 Many jobs are low paid, low skilled, contain little prospect for progression, and are insecure. Many people would like to work more hours but find they are not available. They may face barriers such as high housing, transport or childcare costs, or upfront costs such as buying suitable work clothes.

- 5.2.3 Childcare support currently takes a number of forms:
- Cash to cover up to 70% or 85% of childcare costs, via the childcare component of WTC and UC respectively.

- Tax breaks on childcare spending ('tax-free childcare').
- 15 hours per week free childcare for all 3 -or 4-year olds and disadvantaged 2-year olds. An additional 15 hours are being introduced for working parents.

5.2.4 Lone parents (or nominated carer in a couple) in receipt of benefits must start 'work preparation' activities when their youngest child reaches age 3 and start looking for work when that child reaches age 5. The Government proposes reducing these ages to 2 and 3 respectively.

5.2.5 Our Manifesto proposed: extending free childcare hours; helping those on low wages with careers advice; considering raising the national minimum wage; setting a fair Living Wage across all sectors.

## Questions

75. *What more should be done to help former claimants or in-work families receiving tax credits or UC progress once in work? Is it the government's role to do this?*
76. *If support is available to former claimants, should similar support be available for everyone in work, or at least those on a low income? If so, how would this be funded?*
77. *How much financial support should be provided for childcare through the benefits system?*
78. *Should there be a limit on how many children are supported via childcare benefits?*
79. *How can we simplify support for childcare?*
80. *What age should their youngest child reach before parents receiving benefits should start looking for work? What other circumstances, protections or support should this depend on?*



*81. How should we support people with other costs of starting work or working more, such as transport, upfront costs, or loss of benefits? How might we make the transition out of benefits into work easier or less costly for claimants?*