



Chapter 7 Principles for reforming the benefits system

We are committed to transforming the benefits system to make it active, not passive, and to ensure social justice.

Reform will happen incrementally in line with clear principles and guided by the concept of a single system for working age benefits.

Chapter 7 – Principles for reforming the benefits system

A better benefits system

The case for reform

The Green Paper focused on measures to help people off benefits and into work. The Work and Pensions Select Committee⁴², the Institute for Public Policy Research⁴³ and other commentators, including some who responded to the Green Paper, have pointed to the need to reform out-of-work benefits. The Government agrees with David Freud that this important issue warrants extensive debate before decisions are made.

Any debate should start by considering the objectives of the benefits system for people under pension age. The basic purpose of the system is to ensure, as far as possible within the available resources and without damaging work incentives, that people have sufficient income when they are not working. But the system should do much more than that. It should be a powerful force for social justice – helping people when they are in need, ensuring that they are not condemned to poverty, recognising contributions they make to society (such as caring for others) and encouraging them to build a better future for themselves and their families. It should be active, not passive.

Although different elements of the system can be seen as supporting these objectives, the system as a whole is generally not seen as doing so. The current system has evolved over many years and changes have often been made in a piecemeal fashion. The result is a patchwork of provisions which lacks overall clarity of purpose and, from the individual customer's perspective, can appear unfair, confusing and disempowering.

We are determined to transform the benefits system to ensure that it provides social justice and actively supports people to realise their potential. A significant programme of change is already underway, including the introduction of Employment and Support Allowance and lone parent reforms. We have made a clear commitment to simplify benefit rules and processes and to make the Department an exemplar of service delivery⁴⁴. We need to have a better understanding of what our customers want; and ensure that everyone in the Department for Work and Pensions continually uses information from our customers to improve the way we do things. This will ensure that the policies and processes which make up the benefits system are more effective at meeting people's expectations.

⁴² <http://www.publications.parliament.uk/pa/cm200607/cmselect/cmworpen/463/46302.htm>

⁴³ <http://www.ippr.org.uk/publicationsandreports/publication.asp?id=552>

⁴⁴ In the 2007 Spending Review it was agreed that one of the Departmental Strategic Objectives is to make the Department for Work and Pensions an exemplar of effective service delivery to individuals and employers. http://www.hm-treasury.gov.uk/spending_review/spend_csr07/spend_csr07_index.cfm

However, if we are to deliver a fully effective system we have to tackle the root causes of the current problems. This means above all ensuring that all aspects of the benefits system support the welfare-to-work agenda. In our modern world, work is a realistic option, or a realistic aspiration, for most people and we need a modern benefits system which reflects this. Most people should work: it is good for them, their families and society, and key to tackling child poverty. For most people, out-of-work benefits should be a temporary solution to a temporary problem – not a way of life.

The benefits system must also provide a decent standard of living for people who are not able to work. But too much of the present system is based on assumptions that fitted yesterday's Britain. In a society where people are living, and staying healthy and active, for longer, it is still too easy to label someone as not being able to work due to age or other factors. Passively accepting that individuals have no future beyond long-term dependence on benefits is not the answer.

The Employment and Support Allowance and our lone parent reforms are major steps in making the benefits system more active in helping people to realise their potential. But to complete the transformation from a passive system to one that is truly focused on maximising potential, we must look at the way the system treats people in the round – and to do that we must look at the system as a whole.

A single, coherent system

We are continuing to look further at the idea of a single system of benefits for all people below pension age. Such a system could be based on a family of benefits with a single, coherent system of rates and rules rather than literally a single benefit.

We are aware that the Work and Pensions Select Committee, IPPR and others have proposed models that separate income-replacement from extra costs as a way of streamlining the system and minimising barriers to work. Whilst we clearly share these objectives, we are not yet convinced that this particular approach is feasible or affordable. However, this is a debate that it is important to have and we want to continue a dialogue on how we can meet our shared goal.

Design principles

We believe that, following the implementation of the Employment and Support Allowance, we need to ensure that the rest of the working-age benefits system is in line with clear principles:

Promote work – the system should be geared to actively promote work as the best route out of poverty for all those who can work. Financial gains from work must be clear, with simple and consistent messages.

Value for money – the system must be affordable, secure and cost-effective.

Clear obligations – people should be in no doubt as to what they need to do to get benefits. Conditions and requirements should be reasonable and proportionate.

Straightforward rules – the system should be easy for people to understand and access. Staff should be able to advise people with confidence and certainty.

Fair treatment – a presumption in favour of common rules for common situations, while recognising genuine differences in need.

Change must be evolutionary

Developing a single, coherent system of benefits would take time – changes could be very disruptive if introduced in one go. There are also some important issues that would warrant debate in their own right before any changes were introduced. These include:

- the role of contributory benefits for people under pension age;
- the treatment of couples;
- how to improve the fit between out-of-work benefits, in work benefits and tax credits; and
- how extra help should be provided for people with extra costs. (Currently there are separate strands of support for housing costs and children, but some provision for the extra costs of disability is provided through incapacity benefits.)

A single system should be seen not as a fixed blueprint, but as a model which, along with our reform principles, informs the nature and direction of changes to the benefits system.

Our clear goal is to transform the benefits system to make it more active and promote social justice. We intend to set out further details next year of our approach to incremental benefit reform.

Milestones

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| 2008 | Publish further details of our approach to benefit reform. |
| October 2008 | Incapacity benefits will be replaced for new customers by the Employment and Support Allowance. |
| October 2008 | Lone parents with a youngest child aged 12 or over will no longer be entitled to Income Support solely on the grounds of being a lone parent. |
| October 2009 | Lone parents with a youngest child aged 10 or over will no longer be entitled to Income Support solely on the grounds of being a lone parent. |
| October 2010 | Lone parents with a youngest child aged 7 or over will no longer be entitled to Income Support solely on the grounds of being a lone parent. |