

# **Oxfam GB's Response to the Department for Work and Pensions consultation: 21st Century Welfare**

## **1. About Oxfam**

Oxfam is a British anti-poverty agency working in nine regions around the world. Oxfam's purpose is to overcome poverty and inequality all over the world, including in the UK. We develop projects with people living in poverty that improve their lives and show others how things can change. We raise public awareness of poverty to create pressure for change. And we work with policymakers to tackle the causes of poverty. Oxfam's programme includes work with partners on the ability of people experiencing poverty to have a decent standard of living and maintain a sustainable livelihood, to live a life free from discrimination and have their rights to gender and race equality respected, and the right of refugees be free from destitution and live in dignity.

For further details about Oxfam's work in the UK, see [www.oxfam.org.uk/uk](http://www.oxfam.org.uk/uk).

## **2. About this response**

Our response does not directly follow the questions set out within *21st Century Welfare*, but does address the major issues raised by the paper. This consists of three main aspects: an assessment of the principles underpinning the proposals; an analysis of the proposals that are made; and an analysis of crucial elements of welfare reform that are absent in these proposals.

This response summarises and signposts the key findings from the documents that are attached to it, which are:

- *Struggling with the System*, Oxfam's paper outlining our position on welfare reform, published in June 2010;
- An analysis of the gender impact of the reforms outlined in *21st Century Welfare*, commissioned by Oxfam;
- Summaries of consultation meetings with Oxfam partners in England and Wales on the proposed government reforms. These summaries reflect the unfiltered views of our partner organisations, and although they have informed our response, they are not the views of Oxfam GB;
- *To Banker, From Bankies: Incapacity Benefit, Myth and Realities*, a report supported and funded by Oxfam and published in April 2009, which analyses the impact of welfare reforms on the people of Clydebank, in West Dumbartonshire, Scotland. It is particularly instructive on the experiences of Incapacity Benefit claimants undergoing retesting – with lessons that must be applied to the planned retesting of Disability Living Allowance claimants.

## **3. Summary of key recommendations**

- A detailed gender impact assessment should be undertaken by the government as part of the welfare reform process.
- It is vital that work incentives are improved sufficiently to make work pay, and that an increased earnings disregard provides part of the mix of solutions in order to reflect the fixed costs of entering employment.
- Automation of the benefits system should not be at the expense of specialist, face-to-face support and advice, particularly for vulnerable people (e.g. migrant women, or women escaping violence).
- People claiming benefits must be protected from any teething troubles as the system is changed, including through extended access to interest-free crisis loans.

- Conditionality should be kept to a minimum, and must respect people's non-financial contributions, as well as the availability of jobs and public services. Sanctions must not lead to the use of enforced destitution as a tool of public policy.
- Universal, non-means tested benefits, e.g. Child Benefit, should be protected. They can provide an important source of independent income for individuals, which is not affected by a partner's income.
- Payment of a single benefit to one main claimant in the household may lead to greater hidden poverty for women in couples. We urge the government to reconsider this proposal, and propose that the personal element of all household level benefits be split equally between the two halves of a couple, in order to protect individuals' (particularly women's) financial autonomy, with allowances for children continuing to be paid to the main carer.
- The government should minimise negative language around benefits, and recognise that social protection is a basic right. It should use encouragement rather than sanctions and 'conditionality' to help people into work.
- It is essential that there is a full and open consultation period once further, more detailed proposals on welfare reform are published by the government.
- Government funding for childcare must be protected and ultimately expanded, and any conditionality regime must take into account the availability, cost and quality of childcare in a local area.
- Benefit levels must not be further reduced, and their value should, like pensions, be 'triple locked' to the highest of average earnings growth, price inflation and 2.5% - to ensure that benefit claimants do not continue to fall further behind the rest of society.
- Government must recognise employers' role in making work pay, and in ensuring that they offer flexible working to fit around caring responsibilities.
- There must be a document of welfare rights, to ensure that benefit claimants receive an appropriate level of service and are treated with dignity and respect.

#### 4. Principles of reform

The reforms' single-minded **focus on promoting paid employment as the only goal of the welfare system is problematic**. The system ought to be part of a social protection fabric that protects people from poverty and enables them to construct a sustainable livelihood. Instead, this narrow focus leads to a failure to recognise the extent of in-work poverty, which now exceeds out-of-work poverty. If these reforms are to reduce poverty, they must also engage with the quality of employment that people are being encouraged to move into.

Linked to this, the reforms **do not value the substantial non-financial contributions that people living in poverty make**, including through caring and through volunteering. The value of unpaid caring for adults alone is estimated by Carers UK to be £87 billion per year. There is a risk that focusing exclusively on employment as the only acceptable activity for people living in poverty will mean that the value of such activities is not taken into account in structural reforms, or in any conditionality regime.

Linked to this, **the reforms do not recognise that social protection is a basic right**. In particular, social security provides essential insurance for those (usually women) who forfeit earnings in order to undertake unpaid child rearing and caring, and this decision should be respected and valued, rather than labelled pejoratively as 'welfare dependency'. As part of social protection, the benefits system must protect people from crises, and prevent them from falling into poverty.

**Tackling the poverty and inequality experienced by women** ought to be a key principle in any welfare reform programme. Reforms to the social security system clearly have the potential to impact substantially on gender equality, and so fall under the duty to promote equality between men and women, as part of the Gender Equality Duty. This entails going below the level of the household to look at the effect of reforms on individuals. A detailed gender impact assessment should be undertaken by the government as part of the reform process, and this must examine, among other things:

- the make-up and labelling of any transfer of resources between women and men, and the impact of any such transfers on gender roles and relationships;
- the impact on the degree of financial security enjoyed by women and men;
- the impact on their caring responsibilities;
- and the impact on inequalities within the household, both at the point of any change and over the life course. *(See our attached Gender Analysis for more detail.)*

Once these have been identified, the government has a duty to take reasonable measures to mitigate their impact on gender equality.

## 5. Analysis of proposals

We welcome the proposal to **improve work incentives**. Details of the proposed changes to incentives – in the form of the level of earnings disregard and the taper rate – are lacking, and so it is impossible to assess whether they are sufficient. We urge that two factors are given consideration, however. First, there is a need for incentives for the poorest in society to compare favourably with the 50% marginal tax rate for the very richest. Second, a substantial increase in the earnings disregard must play a part in the mix, in order to ensure that ‘micro jobs’ – rightly recognised as an essential first step into work for many who are most distant from the labour market (e.g. single parents) – are viable financially, in view of the fixed costs of entering employment, e.g. travel and clothing costs. This will also mean that those who are currently taking the first tentative steps towards work through the informal economy should no longer be criminalised, which will allow them to build on the skills and experience they gain from that work, boosting their future employability. The role of employers in providing decent work that pays enough to live on should also be part of the government’s analysis of work incentives, as discussed below.

Linked to this, we also welcome the recognition of the importance of the system in **helping people to manage risk**. This is a positive recognition that the world of work has changed, and that we need a more flexible, responsive benefits system to mirror an increasingly flexible labour market. Benefit simplification and making the system more responsive to changes in people’s income will help to ensure that the costs and benefits of going into work are clear to people, and that work always clearly pays. Our partners in Wales were very clear that the risk of losing all benefits when in work is a major barrier to employment. We therefore welcome the proposals to transfer more of the risks inherent in a flexible labour market from the individual to society. However, we would urge that this is not done at the expense of universal, non-means tested benefits, e.g. Child Benefit. These can provide an important source of independent income for individuals and their children, which is not affected by a partner’s income. They should be protected.

The proposal to **introduce automation of benefit payments** as a mechanism to achieve a more responsive system is welcome. We are concerned, however, that this should not come at the expense of specialist, face-to-face support and advice, particularly for vulnerable people (e.g. migrant women, or women escaping violence).

There is also concern from our partners about how effectively automation will work, and, given the damage to the livelihoods of people living in poverty that mistakes could do, it is vital that the system works effectively from the start. We would urge the government to ensure that there is an adequate protective safety net in place during any transition period, for example an extension of interest-free crisis loans in the event of IT problems preventing payment of benefits.

We are concerned about the **proposals to extend conditionality**. First, and centrally, it is our experience that people do genuinely want to work, and that providing support to enable people to do so is far more effective than punitive sanctions. Second, as discussed above, many people outside of the labour market are engaged in vital unpaid activity, the value of which should be respected. Third, conditionality must be sensitive to gaps in service provision, particularly around childcare (e.g. by accounting for differences in provision between Scotland and England and Wales). Fourth, since benefits are to be calculated on a household basis, there is a risk that an individual may suffer financially due to the non-compliance of their partner – particularly likely to impact upon women, who tend in low-income families to manage household budgets, and to act as ‘shock absorbers’ for their children in times of financial hardship. Finally, the statement in the proposals that, for some, ‘loss of benefit for the period of their non-compliance may be permanent’ (Chapter 4, para. 7) is unacceptable, since forced destitution must never be used as a deliberate tool of policy.

The proposal to **calculate and pay all benefits at the household level** has significant implications which the paper fails to explore. The overwhelming majority of such benefits are claimed by the man in a couple, and this would harm women’s financial security compared with the status quo, in which several benefits, e.g. Child Tax Credit, are claimed by the main carer in a couple (usually the woman). There are also implications for the child poverty agenda, since research shows that money going into a family via the ‘purse’ (i.e. to women) rather than the ‘wallet’ is more likely to be spent on children’s needs. We therefore recommend that the personal element of all household level benefits are split equally between the two halves of a couple, with allowances for children continuing to be paid to the main carer.

Finally, we are concerned by the use of **negative language** at times in the consultation paper. The use of terms such as ‘dependency’ can serve to problematise benefit claimants, and fails to recognise that social protection is a basic right (see above). More positive language of entitlement and encouragement would help to redress the balance of negative government language towards people living in poverty of the past few decades.

## **6. What is missing from the proposals**

There is a significant **absence of detail** throughout these proposals. This makes analysing the proposals difficult, and means it is essential that there is a full and open consultation period once further, more detailed proposals are published.

There is no discussion of **employers’ responsibilities to making work pay**. This includes ensuring that employers’ responsibilities in tackling discrimination are strong and enforced – including meaningful action to tackle the gender pay gap. In our consultation discussions with informal workers in England, there was deep concern that there must be effective sanctions on employers who push their employees not to declare work – rather than focusing all sanctions in individuals. One of the government’s principles for reform is around ‘fairness’ between benefit recipients and

the taxpayer (Chapter 3, para. 1), and employers have a duty to be fair to those in work as part of this.

The proposals do not engage with or acknowledge **the importance of childcare**, which can be a crucial factor in the ability, particularly of women, to take on employment. Cost, availability, and quality of childcare are all important, and must be factored into any conditionality regime. In addition, we support the Daycare Trust recommendation that government funding for the early years must be protected from the impact of public spending cuts – and in the long term expanded – to address the market failures that lead to inadequate provision of childcare, especially in deprived areas. Equally, the role of employers in offering flexible working to fit around caring responsibilities must continue to be strengthened, including for fathers.

There was strong concern during our consultation from partners in each of Scotland, England and Wales that government **welfare reform does not engage with the availability of employment**. Partners believed that changes to work incentives along would not resolve this, and therefore supported government action to ensure that jobs are available, to focus on training and skills where these are barriers keeping people out of work, and to ensure that any conditionality regime recognises labour market realities.

The consultation paper **fails to acknowledge that benefits are far below poverty levels**, and have halved in value relative to average earnings over the past thirty years. It is vital that benefit levels are not further reduced, and we recommend that benefits' value are, like pensions, 'triple locked' to the highest of average earnings growth, price inflation and 2.5% - to ensure that benefit claimants do not continue to fall further behind the rest of society.

The proposals do not address the issue of **how benefit claimants are treated** within the system – which was an area of great concern for our partners in Scotland and Wales. In the proposals, claimants are to be asked to sign a document setting out their obligations and the activities they are required to undertake, in exchange for their entitlement to benefits (Chapter 4, para. 6). We believe that there must be a reciprocal document of welfare rights, to ensure that benefit claimants receive an appropriate level of service and are treated with dignity and respect. And claimants must be part of the process of creating their document of obligations, supported by an independent advocate.

## **7. Further information**

We would welcome the opportunity to speak with the Department in person about any of the points raised in our consultation response, and attached documents. To arrange a meeting, or for more information, including extensive case studies gained from Oxfam's experience of working with people living in poverty in the UK, please contact Moussa Haddad, Policy Officer for sustainable livelihoods, on [mhaddad@oxfam.org.uk](mailto:mhaddad@oxfam.org.uk) or 01865 472446.