

“The last month has been dominated by the parliamentary debate about welfare reform, and it has been tempting to see this as - finally - a big and public debate about poverty.

The polls tell us that people are furious about welfare scroungers. Hard-working people feel they are subsidising people on welfare who live in luxury. Again and again we are told that reforming welfare is the way to end poverty. And our parliamentarians both reflect and feed those views.

If we see it in these simple terms, though, we are missing the point. We know that the current system of welfare does trap people. It erodes their dignity, restricts their choices, and keeps them in poverty, dramatically reducing their capacity to develop, change and take opportunities. But we also know that a very high percentage of the 'welfare bill' goes to people who work (although the overwhelming majority goes to people of pension age). In a very real sense the welfare budget benefits landlords charging extortionate rents, because they can, and employers paying minimal, erratic and unreliable wages, because they can. Many landlords and employers are massively dependent on benefits. Without benefits they would really struggle.

And yet the public and political discourse denies this. It automatically equates benefit recipients with idleness. It ignores the fact that half of all poor children come from working families. It ignores the contribution unpaid carers make to society. It allows poor people to be blamed for an expensive, creaky and inappropriate system of welfare, and ignores the nature of the jobs market, and the operation of the housing market, which together keep people in poverty. And instead of blaming policy and practice for poverty, it lays all the blame at the door of people who are living lives of real complexity, challenge and hardship.

In the 21st century we need a new social contract that recognises that we are all

A reflection by Julia Unwin

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mutually dependent citizens, and that just as the solution to poverty has never been found in the welfare benefits system, so too it can never be found in a single, simple solution. Affordable childcare and jobs that offer real hope of progression to ensure a lasting route out of poverty are essential elements of any anti-poverty strategy..

The current economic crisis challenges us all: for those moving between poorly paid and unreliable work, and life without work, the stakes are particularly high, and the risks catastrophic. We help no one if we are blinded to this reality and instead start to believe that uninformed anecdote, generalised abuse of people in poverty and superficially simple, crowd-pleasing interventions are the answer. Current high levels of poverty are simply too dangerous for that.”

For more analysis on Welfare Reform please see www.jrf.org.uk

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Welfare reform - we're all in this together ?



The 2012 Welfare Reform Act

It is a big Act, with 137 sections and 13 schedules. About a third of all government spending goes on social welfare, and the estimated spend for this current year is about £240 Billion. The current system is incredibly complicated and expensive to administer, so all political parties are in agreement that reform is required. The core of the Act is to replace a host of means tested benefits with a single “universal credit”, and the government hope to save around £18 Billion a year when it is fully implemented.

The Universal Credit (U.C.) will cover people from the age of 18 until the age at which they become eligible for Pension Credit, and this is set to increase because the average age of the population is rising. The Universal Credit is not linked to work, so it should simplify matters as people do not have to change benefits when their personal situation changes

Certain benefits have become expensive because of a mixture of social factors. Housing Benefit was introduced to pay rent for those on low pay, primarily because there is no longer the mass social housing of the 1960s and 70s. Disability Living Allowance was introduced in 1993, but the cost has increased hugely because of the increase in people suffering from mental health conditions. Disability Living Allowance will be replaced by Personal Independence Payments. This will be an add on to U.C.

Aftermath of St. Paul's

The anti-capitalist protest outside St. Paul's Cathedral brought into very sharp relief the growing inequality in wealth in the United Kingdom. The issue is not a new one, and many Christians in the nineteenth century saw the same trend, and attempted to provide a remedy. In a way it poses a bigger question about how we should regard wealth. The parable of the Rich Young Man in Matthew 19, and the entreaty of Jesus not to lay up for ourselves treasures on earth seem to point us to an aversion to wealth. The problem is that we have become used to wealth, or at least the things it buys, which includes not only desirable consumer goods, but the social and health services on which so many people are dependent.

In 1848, an Anglican Clergyman, Frederick Denison Maurice looked at many of the same issues, in the light of the political upheavals in Europe during that year (Revolution), and concluded that Christianity should lie at the heart of social reform. That year he preached a sermon at Lincoln's Inn (not far from St Pauls Cathedral) in which he said, “The revelation that the God whom we call upon as “Our Father” is grounded upon an act done on behalf of humanity - an act in which all people have a like interest.” He went on to found the Christian Socialists.

Many of the people who we support are in receipt of welfare benefits, and this act represents the biggest change to the British Social Welfare system arguably since 1944. The intention of this short paper is to do no more than raise awareness of its main provisions, and how in the next few years it will affect the way many people receive their income.

What is the timescale for changes?

This is the hard part, as the Department for Work and Pensions, Customs and Revenue and a host of Local Authorities change their systems.

The current time scale is:

From 2013/14, UC will replace Income Support, Income Based Job Seekers Allowance, Income Based Employment and Support Allowance, Child and Working Tax Credit. The situation is probably worse because Employment and Support Allowance is a relatively new benefit brought in by the last government to replace Incapacity Benefit. There are still many thousands of appeal cases waiting to be heard.

The transition period is 2013 to 2017, and looks something like this:

October 2013 to April 2014:

500,000 new claimants will move immediately to U.C.

500,000 existing claimants will move to U.C. as their circumstances change, e.g. new job, or child.

April 2014:

3.5 million existing claimants will be moved onto U.C.

What about benefits not covered by Universal Credit?

Council Tax Benefit (C.T.B.) will be administered locally, and local authorities will have more discretion as to how they assist people to pay Council Tax.

Carers Allowance. The situation with this is unclear, but it is possible that people performing this important social function may be given support to maintain links with work.

Certain benefits carry an entitlement under current legislation e.g. Contribution Based Job Seekers Allowance, or Contribution Based Employment and Support Allowance, and will run side by side with U.C.

Child Benefit will continue as at present.

Statutory Sick Pay, Bereavement Allowance, Maternity Pay and Allowance, Industrial Injury Disability Allowance are not affected by U.C.



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Summary of the Act - See www.parliament.uk for more details

The Bill provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. The Bill follows the November 2010 White Paper, 'Universal Credit: welfare that works', which set out the Coalition Government's proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.

Besides introducing Universal Credit and related measures, the Bill makes other significant changes to the benefits system.

Key areas

introduces Personal Independence Payments to replace the current Disability Living Allowance

restricts Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need

up-rates Local Housing Allowance rates by the Consumer Price Index

amends the forthcoming statutory child maintenance scheme

limits the payment of contributory Employment and Support Allowance to a 12-month period

caps the total amount of benefit that can be claimed.

During the Committee Stage, the Government amended the Bill to provide for the establishment of a Social Mobility and Child Poverty Commission.

Some common questions and answers

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The Social Fund

Local Authorities are to be given responsibility for discretionary payments – Community Care Grants and Crisis Loans. Budgeting Loans will become part of U.C.

Passported Benefits

These are sometimes known as “Gateway Benefits”. e.g. Income Support carries an entitlement to free prescriptions, free school meals.

Under the new system these will be income related, and once income rises above a certain threshold (not yet known) the benefits will be withdrawn. This should be clarified later this year.

How will it affect people dependent on Welfare Provision?

No one should be worse off. Basically what you get is:

Universal Credit plus additions for Disability, Housing Costs, Children and Childcare costs.

Capital

The upper limit is £16,000. Only 13% of households with a working adult in the UK have savings at this level. A typical working age household has about £300 in savings. Capital under £6000 is disregarded for the calculation of benefit, and between £6000 and £16000 a tariff income is assumed.

Cost of adult income-replacement benefits

Total: £26.8bn



£12.9bn
Unable to work because of ill-health or disability

£6.6bn
Those who need care and/or with mobility difficulties

£4.6bn
Actively seeking a job

£2.7bn
Parents with young children; carers (under 60)