

Bevan Foundation response to Work and Pensions Committee inquiry into Benefit Levels in the UK

The Bevan Foundation is Wales' most influential think-tank. We aim to end poverty and inequality. We are grateful for the opportunity to submit evidence to the Work and Pensions Select Committee for its inquiry into the benefit levels in the UK. Our extensive work on poverty and inequality provides us with some insights into how the benefits system operates in Wales and its impact on poverty. Our response draws on this experience and is divided into four parts, each corresponding to a group of questions set out by the Committee.

Summary

The key points made in our submission are summarised below:

- The social security system should provide everyone with an adequate safety net for as long as they require it.
- Benefits should be easy to access with claimants treated with dignity and respect.
- Current benefit levels are not adequate - 38 per cent of people in receipt of Universal Credit and 34 per cent of people in receipt of legacy benefits either sometimes, often or always went without essentials last winter.
- Challenges around benefit adequacy may be even more pronounced for some groups including disabled people and private renters.
- A significant gap has developed between the Local Housing Allowance and rents. Only 1.2% of properties advertised on the rental market in Wales between February 3 and 17 were available at or below LHA rates.
- The exclusion of people with a no recourse to public funds restriction from the benefits system increases people's risk of living in destitution and puts significant pressure on many local authority services.
- Being in work reduces a person's risk of living in poverty, however, over half of people living in poverty in Wales live in a working household.
- There are features of the social security system that make it difficult for people in work to make ends meet. These can also act as a deterrent for others from entering work or working more hours.
- There is limited evidence that the features of the benefits system designed to encourage people into work are effective in increasing people into work, but there is evidence that the same features are cause of significant hardship for some households.
- The Welsh Government has powers over a range of means tested grants and allowances that top up and supplement the support low-income families in Wales receive from the UK social security system (e.g. Free School Meals and Council Tax Reduction Scheme). Pulling these schemes together into a coherent Welsh Benefits System could increase take up and make the system work more effectively. Improved data sharing between the DWP, Welsh Government and Welsh local authorities could enable such a system to work more effectively.

Principles and aims of the social security system

The Committee's call for evidence includes a number of questions concerning the principles and aims of the social security system. It is our view that the social security system should provide everyone with an adequate safety net. The birth of a child, the loss of a partner, or redundancy are just some of the major changes in circumstances that can have a significant impact on people's financial position. The social security system should be there to ensure that everyone has access to a good quality of life, whether they need support in the short term or over the long term. That is why the Bevan Foundation has joined with dozens of other organisations in supporting the campaign for an Essentials Guarantee to ensure that the value of support provided by benefits is at least sufficient to cover the essentials.¹

Not only should the social security system provide people with adequate levels of support, but we believe that support should be easy to access. Filling in various application forms at a time of crisis adds to the stress that families already experience, whilst it can act as a deterrent for others from claiming the support they are entitled to. These challenges can be particularly acute for people with additional accessibility needs. Recent research by Policy in Practice estimate that £19 billion of support goes unclaimed every year in the UK.²

Over recent years the Bevan Foundation has undertaken extensive work on "Welsh Benefits". These devolved means tested grants and allowances top up and supplement the support low-income families in Wales receive from the UK social security system and include schemes such as Free School Meals and the Council Tax Reduction Scheme. In undertaking our work, we have proposed a number of principles that should underpin any Welsh Benefits System. We are pleased that the Welsh Government is looking to take forward many of these principles in the form of a Welsh Benefits Charter, following the lead of the Scottish Government in setting out a set of principles that underpin the social security system. We believe that the UK Government should follow the same approach. Among the principles we believe should be included are:

- All applicants should be treated with dignity and respect.
- Benefits should contribute to reducing poverty.
- The delivery of benefits is a public service.
- Benefits are an investment in the people of the UK.
- Benefits should be designed with the people, on the basis of evidence.
- Benefits are a human right and are essential for the delivery of other human rights.³

¹ Joseph Rowntree Foundation and Trussell Trust, *An Essentials Guarantee* (February 2023) available at - <https://www.jrf.org.uk/report/guarantee-our-essentials#:~:text=Analytics%20Cookies-.Guarantee%20our%20Essentials%3A%20reforming%20Universal%20Credit%20to%20ensure%20we%20can,the%20essentials%20in%20hard%20times&text=Losing%20your%20job%2C%20needing%20to,partner%20%E2%80%93%20everyone's%20circumstances%20can%20change>.

² Policy in Practice, *Missing out: £19 billion of support goes unclaimed each year* (May 2023) available at - <https://policyinpractice.co.uk/wp-content/uploads/Missing-out-19-billion-of-support.pdf>

³ Bevan Foundation, *The case for a Welsh Benefits System* (February 2020) available at - <https://www.bevanfoundation.org/resources/the-case-for-a-welsh-benefits-system/>

The adequacy of the current benefits system

The current benefits system is not fit for purpose and does not provide adequate support for low-income households. The impact of this was set out clearly in our recent *Snapshot of Poverty in Winter 2023* report, which was based on polling undertaken on our behalf by YouGov.⁴

Across Wales, 14 per cent of people sometimes, often or always didn't have enough for all the basics in January 2023.⁵ This figure leaps to 38 per cent when looking at people who receive Universal Credit and 34 per cent for people in receipt of legacy benefits.⁶ The impact of the inadequacy of the benefits system becomes even more stark when looking at what essentials people in receipt of benefits have gone without this winter. More than four in ten people in receipt of Universal Credit have gone without heating in their home, have cut back or skipped a meal, and/or have been unable to purchase essential clothing.⁷

The fact that so many people who are in receipt of benefits are struggling to afford essentials is not surprising. As recently illustrated by the Joseph Rowntree Foundation and the Trussell Trust, the Universal Credit Standard Allowance would need to be £35 per week higher for a single person to cover the cost of their essentials, whilst for couples it would need to be £66 per week higher.⁸ There are reasons to be concerned that the gap between the support provided by the social security system and actual living costs may be even greater for some groups.

One such group is disabled people. Disabled people often face higher living costs than the general population and may be less able to work. The social security system does recognise these extra pressures by providing additional financial support to those who need it. Our Snapshot survey results suggests that this additional support may be falling way short of disabled people's needs.

In Wales, nearly three in ten disabled people (28 per cent) who report that their condition limits them "a lot" reported that they sometimes, often or always struggle to afford the essentials in January 2023, compared to 11 per cent of people who are not disabled.⁹ When looking at individual items, however, the picture becomes even more concerning. More than half of disabled people whose condition limits them a lot have gone without heating in their home this winter, whilst 39 per cent have cut down on the size of a meal or skipped a meal entirely.¹⁰

Another group that faces particular pressures as a result of the inadequacy of the social security system is private renters. The amount of support that a low-income household living in the private rental sector receives towards their housing cost through Housing Benefit or the housing element of Universal Credit is determined by the Local Housing Allowance (LHA). The LHA is designed to allow a tenant to rent a property in the cheapest 30th percentile of properties available within a market area, adjusted for their household

⁴ Bevan Foundation, *A snapshot of poverty in winter 2023* (February 2023) available at - <https://www.bevanfoundation.org/resources/a-snapshot-of-poverty-in-winter-2023/>

⁵ *ibid*

⁶ *ibid*

⁷ *ibid*

⁸ Joseph Rowntree Foundation n(1)

⁹ Bevan Foundation n(4)

¹⁰ *ibid*

composition. Through a combination of the decision to freeze LHA rates and broader weaknesses with the way that the LHA operates, a significant gap has developed between LHA and market rents.¹¹

Research undertaken by the Bevan Foundation earlier this year found that of the 2,638 properties advertised for let on the formal rental market in Wales between February 3 and February 17, only 32, 1.2 per cent were available at or below LHA.¹² Of the 22 local authorities in Wales only 6 have any properties available at or below LHA rates, Cardiff, Ceredigion, Conwy, Gwynedd, Powys and Rhondda Cynon Taf.¹³ In two of the six local authorities, (Ceredigion and Conwy) there was only a single property available at LHA rates.¹⁴

The gap that has developed between LHA and rents has a profound impact on renters. With so few properties available at LHA rates, low-income renters often find themselves in an impossible position. Some low-income renters are pushed to rent a property where there is a gap between LHA and rent. This sees renters having to dip into funds that should be being used to cover other essentials such as food and heating, placing extra pressure on the already inadequate Universal Credit Standard Allowance, and increasing a tenant's risk of falling into arrears on their rent in the medium term.¹⁵ Some low-income renters move into poor quality housing or housing that doesn't meet their needs.¹⁶ Whilst for others, there are few options but seeking support from homelessness services, placing extra pressure on an already stretched service.¹⁷

A further group that is especially affected by the limitations of the current social security system is people who have no recourse to public funds. The effects of the no recourse to public funds policy on people without incomes is well documented, but the policy also has a significant effect on working migrants with low incomes. The exclusion from in-work benefits of people with an NRPf restriction often results in low-paid migrants being financially worse off than colleagues who are working the same hours for the same pay.

Excluding people from the greater part of the benefits system has a significant financial impact on local authorities, which have a duty to provide basic safety-net support, in Wales under the Social Services and Well-Being (Wales) Act 2014. The cost to local authorities of NRPf across the UK is estimated at around £64 million,¹⁸ with these funds focused on subsistence support that does little to move people on from destitution or prevent them from falling back into it in future. Most people with NRPf are supported by their own or their sponsor's wages and those who fall into extreme poverty or destitution do so after a significant and unexpected life event. Meeting needs through the provision

¹¹ Bevan Foundation, *Wales' Housing Crisis: making the LHA work for Wales* (March 2022) available at - <https://www.bevanfoundation.org/resources/wales-housing-crisis-making-the-lha-work-for-wales/>

¹² Bevan Foundation, *Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales, Winter 2023* (March 2023) available at - <https://www.bevanfoundation.org/resources/housing-winter-2023/>

¹³ *ibid*

¹⁴ *ibid*

¹⁵ Bevan Foundation n(11)

¹⁶ *ibid*

¹⁷ *ibid*

¹⁸ NRPf Network. *Social Services' expenditure on households with no recourse to public funds reaches £64 million per annum* (2022) available at - <https://www.nrpfnetwork.org.uk/news/nrpf-connect-data-report-2021-22>

of welfare benefits would provide a better prospect of supporting people back to self-sufficiency and away from reliance on public finances.

The no recourse to public funds restriction has a greatly disproportionate effect on women, disabled people, and children,¹⁹ most of whom are from black and ethnic minority backgrounds. This impact is discriminatory since it is often not based on the child's own immigration status. For example, British children of (a) parent(s) with an NRPF restriction on their visa are excluded from Child Benefit and other benefits with the result that they can be forced into poverty or destitution.

Work and social security system

Being in work reduces a person's risk of living in poverty. In Wales 56 per cent of people living in workless households live in poverty, compared to 8 per cent where all working age adults are in work.²⁰ The desire to design a social security system that supports into work is therefore understandable. There are serious flaws with the current approach, however.

More than half of people in poverty in Wales live in households where at least one person is in work.²¹ There are multiple reasons as to why so many people experience in work poverty, including low-pay, unfair terms and conditions and a lack of progression opportunities. The weaknesses of the social security system, however, is also a factor. Well known issues with the social security system such as the 5-week wait for Universal Credit, monthly assessment periods and the general inadequacy of the support provided makes life much more difficult for people in low paid work, pushing many into hardship.

The features of the social security system that make life difficult for people in work to make ends meet can also act as a deterrent for others from entering work or taking on more paid hours. A common theme that has emerged from many of the conversations we have held with people with lived experience of the benefits system over recent years is that people are worried that taking on extra hours, such as working overtime, could see their benefit entitlement severely affected the following month, when they may not have an opportunity to work any over time. This leads some to conclude working these additional hours is not worthwhile, despite the long-term opportunities working these additional hours might provide them.

Not only can features of the benefits system act as a barrier preventing people from entering work or taking on more work, but there is also very little evidence that shows that the features of the social security system that are designed to encourage people into work are effective. Much of the evidence emerging to date looking at the effectiveness of the sanctions system for example, has found that the effect it has in encouraging more people into work is marginal at best.²² Indeed, there is some evidence to suggest that the

¹⁹ Agnes Woolley, *Access Denied: The cost of the 'no recourse to public funds' policy* (2019) available at - <https://www.frontlinenetwork.org.uk/news-and-views/2019/06/access-denied-the-cost-of-the-no-recourse-to-public-funds-policy/>

²⁰ Stats Wales, *Working age adults in relative income poverty by economic status of household*, available at - <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/workingageadultsinrelativeincomepoverty-by-economicstatusofhousehold>

²¹ *ibid*

²² Department for Work and Pensions, *The Impact of Benefit Sanctions on Employment Outcomes: draft report* (April 2023) available at - <https://www.gov.uk/government/publications/the-impact->

way that the system currently operates encourages people to move into low-paid work which increases their chances of living in, in-work poverty.²³ Whilst there is very little evidence to show that the sanctions system is effective in encouraging people into work, there is evidence that it creates significant hardship for the people who are sanctioned.²⁴

Devolution and the benefits system

Powers over the social security system per se have not been devolved to Wales, therefore all the issues around the adequacy of the benefits system that apply in England are also applicable in Wales. Indeed, the Welsh Government has a long track record of calling on the UK Government to increase the adequacy of the benefits system, reflecting the current division of power.

Whilst powers over social security per se have not been devolved to Wales, as outlined above the Welsh Government has powers over a range of means tested grants and allowances to top up and supplement the support low-income families in Wales receive from the UK social security system and include schemes such as Free School Meals and the Council Tax Reduction Scheme. These schemes provide significant levels of support to Welsh families, with research by the Bevan Foundation prior to the pandemic estimating that more than £400m was spent annually by the Welsh Government on various grants, allowances and in-kind provision where eligibility is restricted to people on low income.²⁵ To put this figure in context, this is about the same as the Department for Work and Pensions expenditure on Job Seekers Allowance Universal Credit in Wales in 2018/19.²⁶ The total expenditure is likely to have increased significantly since we undertook our calculations with the additional investment made by the Welsh Government into DAF, Free School Meals and other grants and allowances as a result of the pandemic.

Our research found that people are broadly very positive about the support that is provided through these grants and allowances, many of which are no longer available in England.²⁷ We did find however, that there is scope to make these grants and allowances operate in a more effective way, in particular by pulling them together into a cohesive Welsh Benefits System.

Working in partnership with other stakeholders in Wales we have recently commissioned Policy in Practice to commission a feasibility study into establishing a Welsh Benefits System.²⁸ Policy in Practice have identified a number of actions that could be taken by the

[of-benefit-sanctions-on-employment-outcomes-draft-report/benefit-sanctions-evaluation-context-note-6-april-2023](#)

²³ Oxford University, *Strong link between increased benefit sanctions and higher foodbank use* (2016) available at - <https://www.ox.ac.uk/news/2016-10-27-strong-link-between-increased-benefit-sanctions-and-higher-foodbank-use>

²⁴ Institute for Fiscal Studies, *Benefits and Tax Credits* (February 2023) available at - <https://ifs.org.uk/sites/default/files/2023-02/Final-Benefits%20and-taxcredits-IFS-Deaton-Review-of-Inequality.pdf>

²⁵ Bevan Foundation, *A Welsh Benefits System, how it can solve poverty*, (September 2020) available at - <https://www.bevanfoundation.org/resources/a-welsh-benefits-system/>

²⁶ *ibid*

²⁷ There is no national English equivalent of the Discretionary Assistance Fund for example with support provided by local authorities instead.

²⁸ Policy in Practice, *A common approach to Welsh benefits: Feasibility study* (April 2023) available at - <https://www.bevanfoundation.org/resources/welsh-benefits-feasibility/>

Welsh Government and Welsh local authorities to put a Welsh Benefits System into practice and we are pleased that the Welsh Government has responded positively to date.

One area where there appears to be room for improvement is around data sharing. By working more collaboratively and sharing information, between the Department for Work and Pensions, the Welsh Government, and Welsh local authorities there are opportunities for increasing take up of Welsh Benefits, ensuring that all families receive all the support they are entitled to.