

Benefits system overhaul 'to make work pay'

bbc.com/news/uk-politics-11728546

BBC News



Published

🕒 11 November 2010

The biggest welfare shake-up since the 1940s will make going out to work pay and see benefit cuts for those who refuse to take jobs, ministers say.

Work Secretary Iain Duncan Smith plans to bring in a single Universal Credit to replace work-related benefits.

Claimants moving into work will keep more of their income than now, but face losing benefits if they refuse a job.

Labour said it backed moves to make work pay but warned about the possible lack of available jobs.

The new system will mostly be administered through the internet, with people expected to make claims online and check their payments like they would an online bank account - even though an estimated 1.5 million unemployed people do not currently have internet access, according to government figures. The DWP says a "minority" of cases will still be dealt with face-to-face.

Unveiling his [white paper on welfare reform](#) in the Commons, Mr Duncan Smith said the current system was hugely complex and costly to administer, vulnerable to fraud, and deterred people from finding a job or extending their hours.

'Real time'

Mr Duncan Smith, who campaigned for root-and-branch welfare reform while in opposition, said millions of people had become "trapped" on benefits and long-term unemployment had become entrenched in communities where generations of families had not worked for years.

He proposes consolidating the existing 30 or more work-related benefits - including jobseeker's allowance, housing benefit, child tax credit, working tax credit, income support and employment support allowance - into a single universal payment.

There will be tougher penalties for people fit to work but unwilling to do so. A sliding scale of sanctions will see those refusing work on three occasions having their benefits taken away for three months. Those repeatedly convicted of benefit fraud could have their benefits stopped for three years.

Mr Duncan Smith insists no one will experience a reduction in the benefit money they receive as a result of the introduction of the Universal Credit.

Universal Credit claimants will receive a basic personal amount with additional sums for disability, caring costs, housing costs and children, with single people and couples getting different rates and, as now, the under 25s receiving less. Unlike now, people will not have to claim separately for different benefits.

The amount claimants receive will also be calculated closer to "real time", with adjustments potentially made monthly rather than annually. Mr Duncan Smith rejected newspaper reports that this part of the scheme would be scuppered by delays in linking up his department's IT systems with HM Revenue and Customs' PAYE system.

State support

Setting out his proposals in the Commons, Mr Duncan told MPs he was determined to "ensure people will consistently and transparently be better off for each hour they work and for every pound they earn".

The new rules are likely to come into force for new claimants by 2013, with a target of migrating all recipients onto it in the first few years of the next Parliament after 2015.

Ministers want to make sure it pays to take jobs, so people will keep more of their benefits for longer when in work, with state support withdrawn in a less abrupt and more transparent way.

People coming off welfare into work would lose 65p of each pound they earn on top of their benefit - better than the current rate but 10% less generous than Mr Duncan Smith had been calling for when he was in opposition.

Mr Duncan Smith told MPs it still meant the poor would be better off "as they work through the hours" and the taper rate could always be varied by future governments.

Poverty fears

Officials believe that up to two million people will be better off as a result of the changes, which will cost an estimated £2bn to implement over the next four years.

But not all benefits will be replaced by the Universal Credit - and the government has yet to decide the best way to pay for childcare under the new system.

Benefits that will be unaffected by the changes include Child Benefit, Disability Living Allowance and Contributory Jobseekers Allowance, which is paid for the first six months of being unemployed out of National Insurance contributions.

Disability charity Scope has expressed fears that changes requiring more disabled people to undertake some work, if they are able, could drive more disabled people into poverty.

But Mr Duncan Smith said: "We are not in the business of punishing people who can't take work."

And he hit back at claims there were not enough jobs in the current economic climate for the plan to work, saying there were 450,000 vacancies "even as the country is coming out of recession".

Ahead of his Commons statement he told reporters during a visit to a centre for homeless men in North London that creating jobs was "vital" but tackling the culture of worklessness was more important, as the country could not afford for it to continue.

"In prosperous times this dependency culture would be unsustainable but today it's a national crisis," said Mr Duncan Smith.

He said 70% of the four million new jobs created during one of the longest economic booms in history had gone to foreign workers, while 4.5 million British people continued a life on benefits.

"Businesses had to bring people in from overseas because our welfare system did not encourage or even assist people to take those jobs," said the minister.

He said the reforms would reduce the number of workless households by 300,000 and make work pay for 700,000 low earning employees.

'Soup kitchen'

Deputy Prime Minister Nick Clegg, the Lib Dem Leader, has backed the reforms, calling them "the most radical overhaul of our welfare system since its inception".

Labour has said it will co-operate with the government where it is rewarding work but stressed there must be jobs for people to take up.

"If the government gets this right we will support them because, of course, we accept the underlying principle of simplifying the benefits system and providing real incentives to work," Shadow Work and Pensions Secretary Douglas Alexander said.

"But the government will not get more people off benefits and into work without there being work available. We back real obligations for people receiving out of work benefits but these should be matched by guarantees of real work."

The Unite trade union warned the coalition's reforms would create "a US-style 'soup kitchen' culture".

"Already in America, we can see the social and human agonies caused when welfare is withdrawn at a time when dole queues are lengthening," said a spokesman.