Changing the benefits system

What do you think?

July 2010
We know this is a big booklet. And we do not expect you to read all of it.

Instead, look at the list of contents on pages 1 and 2. This shows you everything in the booklet. You can look down the list to find things that affect you.

In this easy-read booklet we sometimes explain what words mean.

When we first mention any of these words, it is in **bold green** writing. A box then shows what the words mean.

These words and what they mean are also in a Words list at the back of the booklet.

If any of the words are used later in the booklet, we show them in **normal green** writing. If you see words in **normal green** writing, you can look up what they mean in the Words list.
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What the Secretary of State says...

We want to make changes to the benefits system to make it work better and be easier to use.

Benefits system

The benefits system gives money to people when they do not have enough money for housing or food. People with children and some people in low paid work can also get extra money, which is called Tax Credits.

We want fewer benefits and we want support to be aimed at showing that it is worth getting a job.

Last year I said that unless we started to make changes to our complicated and costly benefits system then saying that work is the best way out of poverty would not be true.
Poverty

This is when a person or family does not have enough money to pay for the things they need, or to take part in everyday life as much as other people.

Other governments have tried to do something about poverty but ended up looking at the things that make poverty happen.

We know we cannot get rid of poverty by just sorting out the things that make poverty happen. So, we want to change lots of things.

The way the benefits system works has meant that the poorest people have made decisions that have kept whole families on benefits and in poverty for many years.
This has cost the country billions of pounds in payments of benefits and billions of pounds to meet the cost of people getting benefits and living in poverty.

The way to make a difference that lasts is by dealing with the things that make poverty happen. These are things like:

- Families splitting up.
- Children and young people not doing well at school.
- People being addicted to alcohol and drugs.
- People who owe lots of money.

We want to stop people thinking that they do not want or have to work because they can get benefits. This has been very bad for people, families and whole areas.

We want to change this benefits system that has stopped people thinking work is important and stopped people wanting to do the best they can.
We want to put work at the centre of the support we give to working age people.

**Working age people**

These are people who are aged 16 and over. People can carry on working for as long as they want to. They do not have to stop work when they get to a certain age.

This is why we are asking you what you think is the best way to change the benefits system.

We will help people find a job and make sure that people are better off working than getting benefits.

We will expect people to look for work and take a job when it is offered to them.

We will not leave people on benefits for years without giving them help and support.

This will mean that everyone will work together to get a better quality of life for those people who are worst off.

Iain Duncan Smith MP

Secretary of State for Work and Pensions
About this booklet

At the moment, our benefits system can mean that some people think they are better off getting benefits than getting a job.

We want to help people to get a job and to do well in that job. We also want to look after those people who need a lot of help.

We are thinking about making big changes to the benefits system.

We have written a big booklet about the changes to the benefits system. This big booklet is called 21st Century Welfare. This is the easy read version of that big booklet.
This booklet does these things.

- It says what is wrong with the benefits system.
- It says what we think the benefits system should be trying to do.
- It says how the benefits system may be made better.
- It says what we will need to do to get a benefits system for the 21st Century.

We think the changes that have been made in the past have not been enough to help people.

We want to make sure that government looks after those people who do not have much money. We want people to feel happy about looking for work and getting a job.

We want to make sure the benefits system is fair to people who do not get paid very much or do not have a job.

This booklet gives examples of the changes we are thinking about. Some other organisations have also given us some ideas and we also talk about these.

These big changes could help us to do things like making sure that people have more money if they have a job and that everyone can see they would be better off working.
We will do this by making new rules that say how much of their earnings people can keep before they start to lose their benefit. As people earn more money we will take more benefit off them.

These new rules would mean that people starting work would get more money. It will also make the benefits system much simpler and easier to understand.

We do not want to give less help to people who really need it. But we need to make sure we are helping the right people.

We are also looking at how we can use computers to make parts of the benefits system automatic so that it is quick and easy for people to get help.

Doing these things will

- make people want to work
- mean the benefits system works quicker and is easier to use
- mean the benefits system does not cost as much to run.
But first we want people to tell us what they think about these changes. This is called a consultation.

Consultation

This is when we ask people what they think about things, like our plans.

When we know what people think about these changes we hope to start changing the law early next year.

We would like to hear from you to find out what you think and if you have any ideas on how we should change the benefits system to make it pay for people to go to work.
Chapter 1 – About changing the benefits system

When we started this new government, we said that we would look at changing the benefits system to try to get people to want to get a job.

We now want to take this idea further. We want to do more to get people to find work and stop people thinking that they have stay on benefits.

This is what this consultation is about.

There are nearly 5 million people getting the main out-of-work benefits, like Jobseeker’s Allowance, Income Support and Housing Benefit.

### Jobseeker’s Allowance

This is money people get if they do not have a job, but they can work.

### Income Support

This is money people may get if they do not have a job or they work less than 16 hours a week and the money they have coming in is less than the government says they need to live on.
Housing Benefit

This is money that helps people who are both in and out of work to rent a home.

Nearly 1.5 million people have been getting out-of-work benefits for 9 of the last 10 years. Almost 2 million children are growing up in families where no-one is working.

Changes have been made to the benefits system before. But these changes have left the benefits system hard to understand, with lots of benefits and tax credits which are dealt with by lots of different government departments.

Tax credits

Tax credits are payments from the government. If you have at least one child or young person who normally lives with you, you may get Child Tax Credit. If you have a job, but you are on a low wage, you may get Working Tax Credit.
A lot of people think they are better off on benefits than in a job. Most of these people would get more money if they had a job. But in many cases they would only get a bit more money.

Also, because it can be hard to sort out the benefits people would get while they were in work, it can stop them looking for work and can keep them in poverty.

We have just made some changes to some benefits and the way they go up each year. And the rules have been changed for lone parents and when they need to look for work.

**Lone parents**

These are people who do not live with a partner and have 1 or more children.

These changes will help those people who are used to living on benefits to look for and get a job.
The next step is to look at the cost of the benefits system by helping many more people get a job.

We know from things that have happened in the past that we need to make big changes to the benefits system.

We think that if we join up some benefits and change the benefits system and the tax credits system we have then these things will happen.

- People will see that if they do more work and earn more money they will keep more of that extra money.
- People will see that we will not let them stay on benefits without giving them help to find work.
- If people do good things, like save for retirement or buy their own home, then they will be rewarded instead of being punished.
We want to let more people do some paid work and then stay in work and earn more money without worrying that they will lose some or all of their benefits.

If people are not able to work we will not make them look for work. These people will still get the help and support they need.

Any changes to the benefits system should do these things.

- Make things fair for people who do not have a job and get benefits and people who are in low paid jobs.
- Support and look after those people who need the most help.
- Help move people away from the paths to poverty and give people who are living in poverty a way out.
- Help us to meet our goal of making families stronger, supporting people who care for other people and giving disabled people equality.

The changes we want to make will do these things.

- Make it easier for people to understand what they can get.
- Make it easier for people to make a claim or change their claim to benefit.
- Make it easier for people to understand how any changes in the way they live will affect their claim to benefit.
The government should help people to be happy to start work whenever a job turns up. But, the benefits system we have now cannot deal with this and payments of benefit can be sent out late. This stops people wanting to start work.

If mistakes are made, people may be paid more benefit than they should get. Then they have to pay back the money. This can make it very hard for people to work out their money.

A simple and fair benefits system could do these things.

- Work out and pay benefits faster.
- Cut down the chances of mistakes being made by people claiming benefits and workers who deal with the claims to benefit.
- People would understand what benefits they can get.

We think that if we can use computers to make parts of the benefits system automatic, it will be quick and easy for people to get help.
Chapter 2 – Problems with the benefits system we have now

There are 2 main problems with our benefits system.

• Getting people to want to get a job is hard because of these things.
  – People can find that moving from benefits into work can be hard because of the way benefits and tax credits work.
  – If people are thinking of working for less than 16 hours a week they will not get much more money.
  – Because benefits and tax credits are taken off people as they earn more money, some people may only get a few pence more for every extra pound they earn. This makes people think that it is not worth getting a job.

• The benefits system is too hard, both for people who make a claim and for the people who run the system.
  – For people making a claim to benefit, there are many different benefits and tax credits, and many different government departments to deal with.
  – For people who run the system, the same details may need to be given to many different government departments. This is often done by letter or forms.
This means that the cost of running the benefits system keeps getting higher. There is a lot of wasted time and errors are made. Some people find it easier to stay on benefits and this can keep them in poverty.

In 1996 to 1997, the cost of benefits and tax credits for working-age people was £63 billion. But in 2009 to 2010 the cost had gone up to £87 billion. We cannot keep spending so much money on the benefits system.

At least 12 million families get benefits and tax credits, which cost more than £85 billion.

In this country, more than 1 out of every 4 working age people do not work. At least 2.6 million people have spent at least 5 of the last 10 years getting some sort of benefit.

Around 1 out of every 5 families with children are in poverty and about 2 out of every 5 families will be in poverty at some time in a period of 3 years.

Around 1 in 3 families stay in poverty when a parent starts work. But 2.4 million families get Working Tax Credit.

**Working Tax Credit**

The Working Tax Credit is for people who usually work 16 hours or more a week, get paid for that work and expect to work for at least 4 weeks.

In this country, more children grow up in a family where no-one works than in nearly every other European country.

If children and young people are living in poverty, they are likely to be living in poverty when they are adults.
Question 1

What do you think the government should do to do these things.

• Make the benefits system cost less?
• Make the number of people who want to stay on benefits less?
• Make the number of people who are in poverty less?

At the moment, the benefits system and the tax credits system try to get people to start work by having these things.

• There is an amount of money people can earn from a job without it affecting their benefit. This is called an earnings disregard.

Earnings disregard

An earnings disregard is the amount of money a person can earn from a job without it affecting their benefit.
• People can get extra payments if they work at least 16 hours or at least 30 hours a week. These payments are called tax credits.

If people get paid more than the amount of the earnings disregard then this amount is taken off their benefit.

Some people, like lone parents who work less than 16 hours a week and young people who cannot get Working Tax Credit, can feel that they are better off not looking for a job.

If people work less than 16 hours a week they can still get benefits. But, in some cases it is not worth the person working more hours because every penny they get paid over the earnings disregard is taken off their benefit.

This means that very few people who get these benefits do any work at all.
Some people have to pay **income tax** on the money they earn. This means that after they have paid **income tax** and got less benefits because they are earning more than the **earnings disregard** they are no better off than if they had stayed on benefits.

**Income tax**

This is money that is taken off your wage before it is given to you. This money is paid to the government. The government will let you know how much you can earn each year before you have to pay **income tax**.

Also, if you have to travel to work you will have to pay things like bus fares or train fares, which again can cut down the extra money you get paid by working.

This all means that you can end up no better off and so some people feel it is not worth starting work. This cannot be right and we want to change this.
Some people worry about how quickly another claim to benefits will be sorted out if they start work but the job does not work out and they leave to go back onto benefits.

Some people worry about having their Housing Benefit stopped or worry that their Working Tax Credit will not be paid on time or be for the right amount.

We understand why some people worry about starting a job and how they will look after their families while they are waiting for their first wage.

These people want to know things like

- Will the benefits they get while they are in a job be paid quickly, so they can look after their families while they are waiting for their first wage?

- How long will it take to get a new claim to benefits sorted out if the job does not work out?

Because the benefits system is complicated, it is hard to answer these questions.
Some people have never had a job, so starting work will make them feel worried. Also, some people can think that the rewards from working are small.

I would like to work but I am scared of getting a job.

This can mean that people feel they are being punished for working, while the people who do not have a job are rewarded for doing nothing.
Question 2

Which parts of the benefits system and the tax credits system make people think that it is not worth getting a job?

The complicated benefits system

There are 3 main benefits for people who do not have a job.

- Jobseeker’s Allowance
- Employment and Support Allowance
- Income Support

Employment and Support Allowance

This is a benefit people can get if they do not have a job and they cannot work at all, or cannot work now but could work some time in the future. This benefit has replaced incapacity benefits.

These benefits are all paid by the Department for Work and Pensions. In most cases they give people the same amount of support.
These benefits can be paid with Housing Benefit, Council Tax Benefit, Child Tax Credit and, for people with a job, Working Tax Credit.

**Council Tax Benefit**

This is a payment made by a local council to help people pay the cost of their council tax.

**Child Tax Credit**

Child Tax Credit can be paid if you have at least one child or young person who normally lives with you. You do not have to be working to claim for Child Tax Credit.

This makes things very complicated. People have to make different claims to the benefits which have different rules and are paid on different days.
DWP  Changing the benefits system

For example, a lone parent with a young child may get Income Support, Child Benefit, Child Tax Credit, Housing Benefit and Council Tax Benefit. And each of these benefits has their own set of rules.

Child Benefit

Child Benefit is a weekly payment made to anyone bringing up a child or a young person. It is paid for each child and is not affected by income or savings.

This makes it more likely that mistakes will be made.

Many people have to deal with more than 1 government department.

Around 6 million people get benefits from the Department for Work and Pensions. Of these people around 3 million also get Housing Benefit from a local council.

Around 1.6 million people get a benefit from the Department for Work and Pensions and tax credits from Her Majesty’s Revenue and Customs.

About 1 out of every 3 people getting Housing Benefit also get tax credits and have to deal with the local council and Her Majesty’s Revenue and Customs. This includes nearly all families with children who get Housing Benefit.

As the benefits system is so complicated, some people find it hard to know what benefits and tax credits they can get.
Sometimes, people are paid too much benefits or tax credits and they have to pay the money back.

This can mean that people do not trust the benefits system and this can stop them from looking for a job.

Some people may not claim all the benefits they could get.

Moving between benefits and work can cause big money problems for people and a lot of worry.

People from ethnic minority groups are more likely to have English as their second language. This can make it very hard for them to understand the complicated benefits system.

**Ethnic minority**

This is a group that has different national or cultural traditions from the majority of the population.
Question 3

How much do you think the complicated benefits system puts people off getting a job?

There are a number of benefits and government departments that deal with the benefits. This can mean that people have to speak to many different government departments to claim for all the benefits they can get.

Claiming benefits, changing a claim to benefits or leaving benefits needs too much paperwork from the different government departments. And people spend too much time talking to government workers both face-to-face or on the telephone.

If something changes in a person’s life and it is a change that could affect their benefit, they may need to tell Jobcentre Plus, the Pension, Disability and Carers Service, the local council and Her Majesty’s Revenue and Customs.

In some cases the same details are asked for many times by many different government departments.

This means that a person may need to get in touch with many different government departments, which can cost that person and the taxpayer money and increase the chance of an error being made.
If people do start work, payments of benefit may not be made on time as claims to benefit stop and start and the amount of benefit a person can get is worked out.

This can mean that people worry about the money they have coming in and lose trust in the benefits system.
Question 4

How much do we need to change the benefits system to do these things.

• Make our customer service better.
• Make the cost of running the benefits system lower.
• Cut down the levels of errors and overpayments, and wrong claims. Wrong claims are also called fraud?

The government has big goals for the benefits system. We think that big changes need to be made to both the benefits system and the tax credits system. We want to make both these systems easy to use and get people to want to find a job.
Chapter 3 – Our 7 ideas to change the benefits system

We have 7 ideas to change the benefits system.

• Make sure people can see the rewards they will get from getting a job.

• Get people and families to want to get a job by giving them rewards if they do more work and show them that they will keep more of the extra money they earn.

• Make things fairer between the different groups of people who get benefits, and between people who get benefits and the taxpayer.

• Keep supporting those people who need the most help and have less families who do not have a job and less children in poverty.

• Reward people who do good things, like saving money as well as getting people to want to get a job.

• Use computers to make some parts of the benefits system automatic and some parts self-service.

• Make sure we can afford the benefits and tax credits system both now and in the future.

Question 5

Has the government picked the right set of ideas to change the benefits system?
To put our ideas into practice we need to get people to want to work.

We could work out different ways of doing this. We can either

- do more to get people to want to work, or
- change things so that people want to earn more money once they have a job.

It is important that we get the right balance between these 2 things.

There are 2 main areas that we need to look at.

- The number and types of benefits and tax credits that people can get.
- The way in which benefits are taken off people when they move into work and when they start to work more hours or get paid more money.
A universal credit

A universal credit would be a new way of giving support to working age families.

It would be a more simple system that joins benefits and tax credits into 1 system and supports people in and out of work.

The universal credit would have these things.

- It would have parts of the out-of-work benefits and tax credits we have now.
- It would have out-of-work support and in-work support in just the 1 system.
- It would have extra payments for things like children, housing and disability to add to the earnings of a person or family.

This system would let us deal with the problem of people not getting much more money when they start work because we would look at letting people earn more money before losing their benefit.

If a person is not working, the universal credit would be a single payment which would be worked out on what that person needs and how they are living.
The universal credit could include these things.

- A basic amount of benefit for single people and couples, like the amounts of Jobseeker’s Allowance, Income Support and Employment and Support Allowance that are paid now.

- Help with mortgage interest payments and other housing costs. These things are paid in benefits now.

- Help with rent and council tax. This is paid by Housing Benefit and Council Tax Benefit at the moment.

- Extra help for families. This is paid by Child Tax Credit at the moment.

As we think more about how this system may work, we may change things. But we will look at extra payments for disability as we work on our ideas for changing disability benefits.

We will not give less support to those people who need it most and are most at risk.

We will look at how our changes will affect those people who are most at risk.

As a person or family earns more money, the amount of universal credit they get will go down.

People who do not have a job or have a job but with low wages, will be able to get universal credit.

The amount of benefit people get will depend on how much money they have coming in and how much savings they have.
People will be allowed to earn an amount of money before it affects their universal credit. Then, as earnings go up, so more of the universal credit will be taken off them.

We want to make a computer system that people could look at that would show them how much money they are earning and how much universal credit they can get.

This would be a big improvement on the system we have now, as people cannot get a statement showing how much benefit they can get.

To make people want to work, especially those people on low pay, if they took a job their benefit would not go down until they get paid a certain amount of money. This is called the earnings disregard.

The level of the earnings disregard may depend on things like who is living in the house, if there are children, and if the person is disabled.
We need to work out how much the earnings disregards should be. But it makes sense to have bigger earnings disregards for families who are bringing up children.

To get people to want to work even more, we could have something called a single taper.

**Taper**

This is the rate at which benefit is taken off people when they earn more than the earnings disregard. This is also known as the withdrawal rate.

The single taper would apply to all earnings. It would not matter how many hours a person had worked.

This single taper would take the place of all the different tapers we have now for the out-of-work benefits, tax credits, Housing Benefit and Council Tax Benefit.

Having a single taper would make it clear and simple for people to work out how much extra they would get if they got a job and if they then started doing more hours and earning more money.
A single unified taper

A single unified taper would keep a set of benefits because different families need support for different reasons. We would keep the main out-of-work benefits and tax credits.

But we could look at making changes to some benefits. We would not give less support to those people who need it most and are most at risk.

The number of benefits we have could be made less and the system could be made more simple.

This system would work without using an earnings disregard.

As a person earned more money, they would get less benefit as a taper would apply to their total benefit, instead of each benefit as happens at the moment.

For example, if the single unified taper was set at 75 per cent, a person would get £2.50 more for every £10 they earned until their benefit was stopped. They would then be earning enough to keep themselves or their family.

This would mean that people who get benefits or tax credits keep the same amount of every pound they earn as they work. You will always know the exact amount of money they will keep after their benefits and tax credits have been taken away.

At the moment for every pound you earn, 1 pound is taken off the benefit. Changing the benefits system in this way could let people see that it is good to work and they will get more money if they do work.
Single working age benefit

An organisation called the Institute for Public Policy Research has come up with an idea for a single working age benefit.

This idea is for a simple benefit paid at 1 rate that would give everyone the same amount of benefit whether they are job seekers, lone parents, sick or disabled.

The other main points of this benefit are

- People do not have had to pay National Insurance contributions to get this benefit.
- Everyone gets the benefit for the first 12 weeks they are out of work. It is not means-tested.
- After 12 weeks people are means-tested to see if they can get the benefit.
- Couples can be treated as separate people. They do not have to claim for each other.
**Means test**

This is a way we decide if people can get benefits. It lets us work out how much money people have coming in and how much savings they have.

The Institute for Public Policy Research thinks that the single working age benefit would take the place of Jobseeker’s Allowance, Income Support and the Employment and Support Allowance.

But there would still be payments for extra costs and tax credits would also still be paid.

**The Mirrlees model**

An organisation called the Institute for Fiscal Studies has come up with an idea called the Mirrlees model.

This idea is to have a family allowance that would take the place of Child Tax Credit, Working Tax Credit, Income Support, Jobseeker’s Allowance, Housing Benefit, Council Tax Benefit and Child Benefit.

The family allowance would be paid straight into people’s bank accounts.

This allowance would not pay as much as Income Support does, but you could earn up to £90 without the allowance changing.

In the Mirrlees Model, support for families would be a lot less than people get at the moment.
Single benefit/negative income tax model

An organisation called the Taxpayers’ Alliance have written a report about their idea. Their idea is to use an income tax to take the place of out-of-work benefits and tax credits.

We would still keep some benefits for people who cannot work or who need extra help and support.

Finally...

There are a lot of ways that benefits and tax credits could be made simpler. This could get people to want to work and make it easier for people to see and understand what support they can get.

Question 6

Do you think that using ideas from the models in this chapter would get people to want to work and so help the government to cut costs and deal with poverty and people stuck on benefits?

Which parts of the ideas do you think would work best?

Can you think of any other ways of getting people to want to work, cutting the cost of the benefits system and dealing with poverty and people who are stuck on benefits?
Chapter 4 – Other areas we could change

A lot of the ideas that organisations have given to us say that the *conditionality* system should be looked at as well.

**Conditionality**

People who can look for work or get ready for work should need to do so to get their benefit. If people do not do this they can get some of their benefit taken off them. This is called *conditionality*.

Our records show that *conditionality* is good at making unemployment less.

It is important that any changes to the *benefits system* make it clear what people need to do to get their benefit.
In the **benefits system** we have now, different benefits have different types of **conditionality**.

- **People** who claim **Jobseeker’s Allowance** must look for a job. If a person is out of work for a long time they may have to do more.

- **Lone parents** who claim **Income Support** and people in the **Employment and Support Allowance** work-related activity group must go to work focused interviews.

Some of the ideas we have for changing the **benefits system** could end up with benefits being joined up to make just 1 benefit.

This could mean that **conditionality** could depend on why a person is getting a benefit rather than which benefit they are getting.
A new benefits system could also take away the difference between in-work benefits and out-of-work benefits, making new conditionality rules that are aimed at getting people to want to work. And then to work more hours and earn more money, until they move off benefits.

We would then need to think about when a person is doing enough work that we can stop having work-related conditions on their benefit.

For example, it would not be a good idea to stop having work-related conditions on a person’s benefit when they start a job. If we did this some people may just keep working a few hours a week and keep on getting benefits.

We want people to be able to look after themselves, not depend on benefits.

We should look at having conditionality that gets people to want to do as much work as they can.

We want to make it clearer that people wanting to work will be the central part of the whole benefits system for working age people.

We could ask everyone who is able to work or can get ready to do some work to sign a paper that sets out the things people need to do to get their benefit. These things are called their obligations.

If people do not meet their obligations we may stop their benefit until they can show that they are now doing the things they need to do.

If a person is ready to work, they may not get their benefit back as long as they do not meet their obligations.
For other people, some or all of the benefit that was taken off them may be paid to them once they can show they are meeting their obligations.

There will not be any conditionality for people who are not able to work.

**Question 7**

Do you think we should have more obligations on people who can work and who are claiming benefits so that they do more to find and get a job?

**Question 8**

Do you think we should have a system of conditionality that aims to get people to do as much work as they are able to do?
Where the benefits system is run from

The government runs our benefits system.

But some other countries, like Switzerland and the United States of America run their benefits systems from local areas.

There are some reasons why we should move to a benefits system that is run locally. For example, benefits advisers in a local area would be able to make decisions based on what is happening in their area.

Question 9

If you agree that the benefits system should be run locally, what do you think we would need to do to be able to give people the benefits system they need?

The benefits system is not the only way the government tries to help those people in need.

People who are not in a job sometimes need to learn new skills to get a job and do well in that job. They may also need to do some training.

Any training that we can get people needs to help the person doing the training to get a job. It also needs to be easy for the person to carry on training once they get a job.

Another way the government tries to help those people in need is to make it easy to get housing they can afford.
We know we need to build more new houses that people can afford to buy or rent.

**Question 10**

The government wants to build more houses that people can afford.

What changes could we make that would make sure the people who provide houses can keep building the new homes we need and look after the homes that have already been built?
Finally...

The different ideas for change that we have talked about in this booklet give us the chance to look at some other issues in our **benefits system**.

As we think about the changes to the **benefits system** we will also think about these things.

- Making sure the **conditionality** system lines up with any changes we make to the **benefits system**.

- Having a system that could be made for different groups of people, so the **conditionality** system can be changed to meet different people’s needs.

- Looking at having a **benefits system** that is run locally.

- Having a system that supports the government’s aim of moving everyone who can work into work and makes the most of a person’s earnings.
Chapter 5 – How the new benefits system will be delivered

As we have already said, claiming benefits can be complicated and confusing. There are a large number of different benefits that meet similar needs.

People often have to deal with at least 2 different government departments and the local council. And they need to give the same details every time they speak to 1 of these departments.

A simple and fair system that costs less and cuts down on things like giving the same details over and over again is wanted by people who claim benefits, government and local council workers, businesses and taxpayers.
A new benefits system could make things easier for people who get a job.

The new benefits system would be able to deal with their earnings quickly. And people would be able to get support without filling in lots of forms and then waiting for their claim to be dealt with.

Our ideas for changing the benefits system would change the way benefit is given to people and also the way people have to deal with the system.

We will make sure that our changes to the benefits system will make it work better, give better customer service and cut the cost of running the system.

We think that people should be able to just fill in 1 form to claim benefits.

For those people in a family, 1 person would make the claim and get the benefit.

We want to make the way claims are made as simple as we can.

We also need to think about the way the benefits are split between the Department for Work and Pensions, Her Majesty’s Revenue and Customs and local councils.

We will work with all the people who deliver benefits to see if the benefits can be joined together and what that would mean for the different departments.
Making changes to our computer systems

We will need to make changes to our computer systems.

We will want 1 computer system that does these things.

- Make a record of when people get in touch with us.
- Make a record of the details we need to work out a claim to benefit or a change to benefit.
- Work out how much benefit a person or a family can get.

We will want a second computer system that will bring together the amount of benefit a person or a family can get with details about money they have coming in, like wages from a job.

The second computer system would then deal with all this information and make the right payment of benefit.
Her Majesty’s Revenue and Customs is looking at changing its computer system. Their new system would get employers to send them details of all their workers’ wages as they are paid.

This would mean that the benefits system could use details of wages as they are paid. So people would not have to tell the Department for Work and Pensions about any changes to their wages.

This will cut down the number of overpayments of benefit that are made and also cut down the number of people who have to repay benefit, which can make things very hard for people.

More work is needed over the coming months to help us choose the system that works best.
Dealing with errors, overpayments and fraud

Errors, overpayments and fraud happen because of 3 things.

• The **benefits system** is complicated and dealt with by many different departments. This can mean that people making claims to benefit and workers can make mistakes.

  It also means that people can say different things about themselves to different parts of the **benefits system**.

• The benefits are **means tested**. This means that we need people to tell us about their earnings, savings and any other money they get from anywhere. This means there is a bigger chance of mistakes being made, benefit being overpaid and people not telling the truth, which is called fraud.

• We also need people to tell us about things happening in their lives like where they live, if they have a partner and if they have children.
If we can make a more simple benefits system, when a person claims benefit all their details would be held in just 1 place.

This would cut down the number of mistakes and overpayments of benefit. If a person has to repay benefit that has been overpaid to them, it can make things very hard for them.

If we have just 1 benefits system it would mean that people cannot say different things about themselves to different departments. This would also cut down the number of mistakes, overpayments and fraud.

**Changing to a new benefits system**

A new benefits system would be easy for people to understand and use.

It would take away the need for the same details to be collected and held by different departments.

It would make parts of the benefits system faster.

We will need to make sure we plan things well so that we can move people from the old system to the new system quickly and easily.
If we bring in a new benefits system we will need to make sure it lines up with the plans we already have to move people off incapacity benefits and onto either the Employment and Support Allowance or Jobseeker’s Allowance.

We think that this will take about 3 years and we think that most people will have changed benefits before we bring in a new benefits system.

**Question 11**

What do you think is the best way for us to work out how to deliver a new benefits system that works better, gives better results and gives better customer service?
Chapter 6 – What we have said

This booklet has talked about the kind of things we are thinking about to change the benefits system we have at the moment.

Our ideas are supported by 4 main aims.

• Making a benefits system that gets people to want to work.

• Making a benefits system that is fair.

• Making a benefits system that looks after the people who are most in need of help.

• Making a benefits system that is simple.

Our changes to the benefits system could do these things.

• Make people want to work by changing the way benefits are withdrawn when people earn more money. This taper will let people keep more of their wage.

• Make a benefits system that is fair to those people who need it most. We would do this by using tapers that would help people on the lowest wages. But we would make sure that people who do not have a job are supported.

• Make all the means-tested benefits and tax credits simpler so we can support all people both in work and out of work.

These changes would let the government cut down the number of people who are out of work, cut down the number of cases of error and fraud and make sure the cost of the benefits system does not keep getting bigger.
We know that at the moment when people start work their benefits and tax credits are taken off them quickly. This can stop people wanting to get a job, especially if the job pays a small wage.

Too often people get very little extra money even though they are working hard. This is because benefits and tax credits are taken off then as they start to pay income tax and national insurance.

A single taper or withdrawal rate would mean that people could see how much extra they would get if they started work or started to get paid more money.

Our ideas will keep the cost of the benefits system down. And we will target our support at those people who are most in need.
Our new **benefits system** would still help people who are not working. It would include help with housing costs and give extra support to families, disabled people and carers.

The new **benefits system** would support the people most in need and also reward people for working and looking after themselves.

The government has looked at a single **taper** and at ways of doing more to get people to want to work and having less people getting benefits which will cut down the cost of running the **benefits system**.

We want to find out what you think about the ideas we have put in this booklet.
Chapter 7 – About the consultation

This booklet has been written to find out what people think about our plans and ideas to change the benefits system and the tax credits system.

We would like to hear from anyone who has something to say about the plans and ideas.

We would like to start making changes to the law early next year to change the benefits system and the tax credits system.

The consultation started on 30 July 2010. It will end on 1 October 2010.

What we do after the consultation

We will publish our response to the consultation in a report on our web site at www.dwp.gov.uk/consultations

The report will summarise the responses we have received and our next steps.

We will look at how the changes to the benefits system and the tax credits system may affect different groups of people. For example, disabled people and people with a learning disability.
How to contact us

You can tell us what you think by email, by telephone or by letter. Please try to tell us what you think by 1 October 2010, or as soon as you can after that date.

Benefit Reform Division
Department for Work and Pensions
1st Floor
Caxton House
Tothill Street
London
SW1H 9NA

Telephone: 020 7449 7688

Email: benefit.reform@dwp.gsi.gov.uk
Freedom of information

This consultation is covered by the Freedom of Information Act 2000. This means that if you tell us what you think about changing the benefits system, anyone can ask us to tell them what you and everyone else told us.

This includes things like your name. And these people may use this information in things they write. This means that if you tell us things like your name, you are also telling us we can give this information to people who ask us for it.

If you do not want us to do this, you could tell us less about yourself. For example, you might give us just your first name and the town you live in.

If you do not want us to tell other people about what you think about changing the benefits system, please tell us why. Even then, unless you have a good reason, the Freedom of Information Act may force us to tell people.

If you contact us by email to tell us what you think, we cannot be sure that other people won’t see your email.
Questions for the consultation

Question 1

What do you think the government should do to do these things.

• Make the benefits system cost less?

• Make the number of people who want to stay on benefits less?

• Make the number of people who are in poverty less?

What you think about Question 1

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Question 2

Which parts of the benefits system and the tax credits system make people think that it is not worth getting a job?

What you think about Question 2

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Question 3

How much do you think the complicated benefits system puts people off getting a job?

What you think about Question 3
Question 4

How much do we need to change the benefits system to do these things.

- Make our customer service better?
- Make the cost of running the benefits system lower?
- Cut down the levels of errors and overpayments and wrong claims which is also called fraud?

What you think about Question 4
Question 5
Has the government picked the right set of ideas to change the benefits system?

What you think about Question 5

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Question 6

Do you think that using ideas from the models in this chapter would get people to want to work and so help the government to cut costs and deal with poverty and people stuck on benefits?

Which parts of the ideas do you think would work best?

Can you think of any other ways of getting people to want to work, cutting the cost of the benefits system and dealing with poverty and people who are stuck on benefits?

What you think about Question 6

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Question 7

Do you think we should have more obligations on people who can work and who are claiming benefits so that they do more to find and get a job?

What you think about Question 7

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Question 8

Do you think we should have a system of conditionality that aims to get people to do as much work as they are able to do?

What you think about Question 8
Question 9

If you agree that the benefits system should be run locally, what do you think local businesses or groups would need to do to be able to give people the benefits system they need?

What you think about Question 9
Question 10

The government wants to build more houses that people can afford.

What changes could we make that would make sure the people who provide houses can keep building the new homes we need and look after the homes that have already been built?

What you think about Question 10
Question 11

What do you think is the best way for us to work out how to deliver a new benefits system that works better, gives better results and gives better customer service?

What you think about Question 11

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Question 12

Is there anything else you would like to tell us about the plans and ideas that have been written in this booklet?

What you think about Question 12
Words list

Benefits system

The benefits system gives money to people when they do not have enough money for housing or food. People with children and some people in low paid work can also get extra money, which is called Tax Credits.

Child Benefit

Child Benefit is a weekly payment made to anyone bringing up a child or a young person. It is paid for each child and is not affected by income or savings.

Child Tax Credit

Child Tax Credit can be paid if you have at least one child or young person who normally lives with you. You do not have to be working to claim for Child Tax Credit.

Conditionality

People who can look for work or get ready for work should need to do so to get their benefit. If people do not do this they can get some of their benefit taken off them. This is called conditionality.
Consultation
This is when we ask people what they think about things, like our plans

Council Tax Benefit
This is a payment made by a local council to help people pay the cost of their council tax.

Earnings disregard
An earnings disregard is the amount of money a person can earn from a job without it affecting their benefit.

Employment and Support Allowance
This is a benefit people can get if they do not have a job and they cannot work at all, or cannot work now but could work some time in the future. This benefit has replaced incapacity benefits.

Ethnic minority
This is a group that has different national or cultural traditions from the majority of the population.
**Housing Benefit**

This is money that helps people who are both in and out of work to rent a home. ...............................12

**Income Support**

This is money people may get if they do not have a job or they work less than 16 hours a week and the money they have coming in is less than the government says they need to live on .................................11

**Income tax**

This is money that is taken off your wage before it is given to you. This money is paid to the government. The government will let you know how much you can earn each year before you have to pay income tax. ...........21

**Jobseeker’s Allowance**

This is money people get if they do not have a job, but they can work .........................................................11

**Lone parents**

These are people who do not live with a partner and have 1 or more children. .................................13
Means test

This is a way we decide if people can get benefits. It lets us work out how much money people have coming in and how much savings they have.

Poverty

This is when a person or family does not have enough money to pay for the things they need, or to take part in everyday life as much as other people.

Taper

This is the rate at which benefit is taken off people when they earn more than the earnings disregard. This is also known as the withdrawal rate.

Tax credits

Tax credits are payments from the government. If you have at least one child or young person who normally lives with you, you may get Child Tax Credit. If you have a job, but you are on a low wage, you may get Working Tax Credit.
Working age people

These are people who are aged 16 and over. People can carry on working for as long as they want to. They do not have to stop work when they get to a certain age. ............. 6

Working tax credit

The Working Tax Credit is for people who usually work 16 hours or more a week, get paid for that work and expect to work for at least 4 weeks ......................... 18
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If you want a summary of the full report in Welsh, you can get it free at www.dwp.gov.uk/21st-century-welfare

Copies of the full report can be made available in other alternative formats on request. Contact details are shown below.

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