

This publication is withdrawn.

This publication is no longer current.



Department
for Work &
Pensions

DWP Reform

DWP's Welfare Reform agenda explained

February 2015

Contents

- Our objectives..... 3
- The scale of the challenge..... 3
- Change through understanding the causes of poverty 4
- Making it pay to work..... 4
- Unconditional support for disabled people that need it, help for those that can work to gain work..... 5
- Preparing the long term unemployed for the world of work 5
- A fairer pension and encouragement to save for retirement..... 6
- Supporting separating and separated families 6
- Improving the delivery of support to the most vulnerable people..... 6

DWP reform

Our objectives

As part of the government's long-term economic plan, we are fixing the welfare and pensions systems so they are fair and affordable, to ensure:

- it pays to work;
- the most vulnerable – disabled people and pensioners – are protected, and are supported to lead independent lives;
- it pays to save for retirement, and the pensions system is clearer to understand;
- separating or separated parents are encouraged and supported to work together in the best interests of their children; and
- public spending is put on a more sustainable footing.

We are creating a system based on fairness; providing value for money and placing greater emphasis on personal responsibility. The reforms will ensure that the system is fair to the British taxpayer and people in genuine need of support.

We are reforming the benefits system so instead of trapping people into welfare dependency, it rewards work and, backed by the right support and encouragement, helps people lift themselves out of poverty, and stay out of poverty.

Our pensions reforms are designed to support people to save for their future and to ensure they can access good quality, value-for-money pensions, whilst continuing to provide security for those in need.

The scale of the challenge

The challenge is significant.

In financial terms:

- In the decade before the financial crisis, welfare spending rose by 20 per cent in real terms.
- By 2010 welfare spending was costing every household in Britain an extra £3,000 a year.
- Spending on Housing Benefit is up 50 per cent in real terms over the last decade.
- The Office for Budget Responsibility's projections suggest public expenditure on older people is set to rise by five per cent of GDP between 2016 and 2060.

On the impact on the lives of individuals and families - the benefit system has trapped people into welfare dependency with:

- Around 1.6 million children living in workless households in the UK; and
- Around 300,000 households where no adult has ever worked.

And 13 million people are not saving enough for their retirement.

Change through understanding the causes of poverty

The Government's approach to welfare reform is underpinned by the values of **Social Justice** – understanding and tackling the root causes of poverty rather than their symptoms. It is based on ensuring that the most disadvantaged in society have the tools they need to transform their lives, and the lives of their families, and to realise their potential.

Making it pay to work

At the heart of our reforms is **Universal Credit**. It aims to make sure claimants are better off in work than on benefits and it will create a simpler, fairer benefits system. It is replacing six main benefits with a single monthly payment for people in work or out of work, smoothing the transition from welfare to work. Universal Credit is designed to make work pay, as financial support is withdrawn at a slower rate than under the current system. These reforms make the financial benefits of work clearer to claimants, while reducing the risks of taking up a job.

The progressive roll out of Universal Credit started in October 2013 and we have now expanded to jobcentres right across the North West of England. We have also begun to take new claims for Universal Credit from couples, and are expanding to families. Starting in February 2015, Universal Credit is being rolled out to all jobcentres and local authorities across the country for new claims from single jobseekers. This marks a significant acceleration in the reform, but our priority is, and will continue to be, the safe and secure delivery of this flagship programme.

Universal Credit aims to support jobseekers through the **Claimant Commitment**, to raise their expectations of what they can achieve, and to encourage responsibility. To pave the way for this cultural transformation, the new Claimant Commitment has been rolled out to all British Jobcentres. Claimants of Jobseeker's Allowance will be expected to take all reasonable steps to give themselves the best prospects of finding work. If they do not meet this requirement they risk losing benefits.

The **Benefit Cap** has been successfully rolled out to all local authorities across the country. Household benefit payments will be capped at £350 per week for a single adult with no children and £500 per week for couples, with or without children, and lone parent households – the equivalent of £26,000 per year.

The Government has taken action to ensure that the welfare system remains affordable and sustainable over the longer term, whilst continuing to provide support for those who cannot expect to move into work. The **Welfare Benefits Up-Rating Act** has enabled a time limited one per cent increase to many working age benefits and tax credits. **Housing Benefit** has already changed, including the introduction of

caps on Local Housing Allowance rates, the extension of the shared accommodation rate to people aged under 35 and the removal of the Spare Room Subsidy. Measures have been introduced to tighten **migrants' access to benefits**. And the introduction of the **Welfare Cap** strengthens government spending control and will ensure welfare spending remains on a sustainable footing.

Unconditional support for disabled people that need it, help for those that can work to gain work

The Government is committed to supporting disabled people to lead independent and active lives. The **Personal Independence Payment** has replaced Disability Living Allowance for working age claimants (16-64). Personal Independence Payment is based on an assessment of individual needs and aims to make sure financial support is targeted at those who face the greatest challenges to living independently.

We are also committed to offering unconditional support to those who are severely disabled and cannot work. But we are working to make sure those that can work do, and are helping more disabled people get into mainstream employment.

Preparing the long term unemployed for the world of work

Jobseekers who are ready to work hard and want to get on in life will get all the support they need through Jobcentre Plus and schemes such as the **Work Programme**, which offers tailored support to the long term unemployed, and the **Youth Contract**, which provides additional support for young unemployed people through work experience, apprenticeship grants and wage incentives for businesses. We have now also introduced intensive new measures to help the long-term unemployed into work. **Help to Work** gives Jobcentre Plus staff a new range of options to support the hardest to help get off benefits and into work. But jobseekers who repeatedly refuse to play by the rules face losing benefits for three years under tough new rules, which send a clear message that people receiving benefits have a responsibility to actively seek work in exchange for receiving Jobseeker's Allowance.

A fairer pension and encouragement to save for retirement

State Pension age is changing to reflect increases in life expectancy and ensure the state pension system remains sustainable and fair between generations. One in six people alive today will live until they are 100. This challenges the sustainability of our

DWP reform

pensions. Over 60 per cent of people are concerned about their income in retirement. We will regularly review the State Pension age.

We will deliver **State and Private Pension reform** to help people provide for security in later life, including **Automatic Enrolment**, while ensuring our labour market services enable the increasing numbers of older workers to play an active role in the economy. The introduction of a clearer **State Pension** from 6 April 2016 will make it easier for people to know what they'll get from the state in retirement. We have also **abolished the Default Retirement Age**, meaning most people can now retire when the time is right for them. It's now easier to work beyond State Pension age. Working longer and continuing to save into a private pension is one way to increase income in retirement.

Supporting separating and separated families

We believe that the previous **Child Maintenance** system placed too much emphasis on the state determining financial support and not enough on supporting separated and separating families to reach their own arrangements. That's why we are focusing our efforts on supporting parents to make their own arrangements; and have introduced application fees for the use of the statutory scheme to provide a financial incentive for parents to make their own arrangements. For parents who, despite support, are unable to come to a collaborative agreement, we will provide a new statutory Child Maintenance service that will be both faster and more up-to-date than the current Child Support Agency schemes.

Improving the delivery of support to the most vulnerable people

Since the Social Fund was introduced in 1988, welfare delivery has changed significantly. **Social Fund Reform** has seen Community Care Grants and Crisis Loans abolished from 1 April 2013. New locally-based and designed provision has been introduced to deliver a more responsive service that's better targeted and relevant to the needs of vulnerable people in society.