REPORT ON THE MINIMUM INCOME SYSTEM IN THE UNITED KINGDOM FOR THE SPANISH GOVERNMENT

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INTRODUCTION

The UK does not have a minimum income system as such. It has a social assistance element in the social security system which together with other associated means-tested benefits provides a minimum income for citizens both inside and outside the labour market. For people with low earnings it has developed a system of tax credits - a social assistance element - and a number of benefits to supplement income. Just at the moment these two distinct systems are, at least for the working age population, being replaced by a new unified system called Universal Credit.

In order to provide an overall perspective this report begins with a historical review of how the minimum income system developed in the period since WWII. It then describes Universal Credit. So far Universal Credit has been rolled out nationally to single claimants. The Universal Credit Full Service, which takes in all claimant groups, has started its roll out. As a result the rest of the report is focussed on the existing and soon to be legacy minimum income system. The next section describes the system available for working age claimants: out-of-work and in-work, and the scheme for pensioners: Pension Credit. Calculations of what model families would be entitled to receive are presented and eligibility conditions including age, residency/nationality, and employment status are described. The next section describes the work conditionality procedures, the duration and methods of payment and the links with other benefits are described. Then the report presents data on spending on minimum income schemes and the numbers of recipients of the main elements of the system.

There follows an assessment of the minimum income schemes – first their adequacy - assessed over time - in comparison with a minimum income standard, the poverty threshold, and through an assessment of replacement rates. Then the coverage or comprehensiveness is assessed including take-up before finally the overall impact of the system on poverty is assessed. There follows a substantial section describing and analysing the activation measures associated with, mainly, the out-of-work minimum income system. Under Universal Credit these will be extended further to people in employment.

Finally the report ends with a tentative discussion of what lessons Spain may learn from the UK system.

HISTORICAL REVIEW OF THE UK MINIMUM INCOME SYSTEM

The National Assistance Act 1948 is the origin of the minimum income system in England, Scotland and Wales. It finally abolished the last vestiges of the Poor Law and swept away the patchwork of schemes that had been enacted from 1908 onwards. The Act implemented the final third pillar of William Beveridge's 1942 plan for social security. The other two pillars: social insurance and family allowances had been enacted in 1946 and 1945 respectively. National Assistance was to be the safety net for those who had not built up entitlement to insurance benefits. It was means-tested, non-contributory and financed from general taxation. The scale rates of benefit were national, designed to provide for 'minimum subsistence' and were loosely based on Seebohm Rowntree's budget standard for his 1936 study of poverty in York. Policy for national assistance was determined by an independent Board and administered in central government and at local level by civil servants of the then National Assistance Board. As well as the basic scale rates, national assistance covered rent and rates (local property taxes), and there was the possibility of claiming discretionary Exceptional Circumstances Additions and Exceptional Needs Payments for special needs. Eligibility was assessed on the resources of the family unit (and no longer the household unit). There was a work test - claimants of working age were expected to seek work through the local Labour Exchanges. There was a family test – men and women living together as if they were husband and wife were treated as a married unit. There was also a very small disregard of part-time earnings. Social assistance was not paid to (low paid) employees. There was a so-called 'wage-stop' rule to avoid undermining incentives to work. It ensured that national assistance payments could not be more than net income in work. Recipients of national assistance were also eligible for free welfare foods for pregnant and nursing mothers and free school meals and, after NHS charges were introduced, exemptions from prescriptions and other health charges. Other health care was free at the point of need after 1948 and there were no charges for compulsory education.

National assistance became Supplementary Benefit in 1966 and Income Support in 1988. The out-of-work means-tested benefits were split for different claimant groups in the 1990s. For the unemployed, Jobseeker's Allowance (JSA) was introduced from 1996; for people over retirement age, Pension Credit (PC) was introduced from 2003, and for people with disabilities, Employment and Support Allowance (ESA) was introduced from 2008. These benefits (including Income Support for those to whom JSA, PC and ESA don't apply) remain in place today but the majority are in the process of being phase out and replaced by UC.

Meanwhile there have been separate developments designed to provide a minimum income for the low paid. Beveridge ignored the low paid except for his plan for family allowances, which were to be a non means-tested, non-contributory payment for each child, funded out of general taxation. Family allowances were in the event introduced only for the second and subsequent child and at a lower level than Beveridge had recommended. Soon there were many families with children in employment whose net income was less than they would have received in national assistance (if the wage stop had not existed – it was eventually abolished in 1975). The main reason for this was that out-of-work and on social assistance recipients had their housing costs paid, while there was no help available for the low paid. Thus there began to develop a package of measures to provide a minimum income for the low paid. First Rate Rebates in 1965 became Council Tax Benefit. Then Rent Rebates and Allowance from 1966became Housing Benefit from 1982. Then Family Income Supplement, a means-tested payment in respect of children was introduced in 1971, became Family Credit in 1988 and Working Families Tax Credit (WFTC), in 1999 then Child Tax Credit and Working Tax Credit in 2003. Meanwhile the universal family allowance and child tax allowances were combined and became Child Benefit from 1977and paid for the first and subsequent child.

By the 1990s there were two overlapping minimum income schemes in existence for people of working age – one for those out of employment and another for those in employment. There were administrative and incentive (replacement rate) problems in moving from one system to the other. The out-of-work scheme had a 100% tax rate on part-time earnings above a very low disregard, and the in-work scheme had very high marginal tax rates for working or earning more. The whole system was very complicated and expensive to administer. Various schemes for a single working age benefit were discussed and when the Coalition Government came to power in 2010 they enacted Universal Credit.

UNIVERSAL CREDIT

Universal Credit (UC) will replace six previous benefits with a single payment by 2021/22.[2] This policy has been designed to overcome issues in the current legacy welfare system, mainly weak financial incentives for claimants to move into work or increase hours worked and also the complexity and administrative burden of the system for claimants. The policy intention is to reduce both poverty and welfare dependency by ensuring that work is the best route out

[2] Universal Credit at work reports (October 2014 and Spring 2015) - https://www.gov.uk/government/publications/universal-credit-at-work and December 2015 - https://www.gov.uk/government/publications/universal-credit-at-work-december-2015
http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-07-20/HCWS96

of poverty for claimants[3]. Preliminary evidence suggests that Universal Credit is achieving its aims with analysis showing that for every 100 people who would have found employment under the old JSA system, 113 UC claimants will have moved into a job[4].

Universal credit (UC) is national in all 714 Jobcentre Plus offices for single people. The Full Service, which takes in all claimant types, is being introduced on a rolling 'test and learn' basis that started in 2013 in pilot areas and is still in the early stages of roll out.[5] UC replaces six means-tested benefits and tax credits[6] with a single payment. Although when on UC, claimants can also claim other benefits such as Child Benefit, Personal Independence Payment, Carer's Allowance, Disability Living Allowance etc. UC simplifies the (means-tested) benefits system and incentivises claimants to take up work, including 'mini jobs' and increases personal responsibility by extending work conditionality to many more people in- and out-of-work, including partners with children. This is because the amount of Universal Credit depends on the level of income and other family circumstances, not the number of hours a claimant works (which is the case in the existing system under tax credits and other out of work benefits). As claimants begin earning, claimants still keep a proportion of their Universal Credit award as their award is reduced by less than they are earning (a taper of 65% is applied to net earnings) so they still benefit from their income increasing. Some recipients (those with children or who have limited capability for work) can keep earnings up to a threshold (work allowance), after which the 65% taper is applied.

By July 2016 280,000 people were claiming[7]. It has now been rolled out nationally in every jobcentre for new single unemployed claimants (the simplest cases), with nearly 100 of these jobcentres processing claims for more complex cases of couples and families. Most UC cases are dealt with under the 'Live Service', helped by staff, but in parallel a Full Service is being developed and rolled out, to replace this.[8] The intention is now that Universal Credit will have been fully implemented by 2022 but there are still anxieties about whether it will ever become fully operational.[9]

UC means a change in payment frequency to monthly in arrears,[10] with all elements being paid together in one lump sum into an individual's bank account. This change has been designed to imitate how the majority of people are paid and to encourage personal independence and responsibility for budgeting. This is a change for many social housing tenants in particular, who would have had their rent budgeted and paid on behalf of them. The move to paying the claimant the rental amount, gives the claimant more control over their own finances. These eases the way into work as historically, a shift into work could mean the rent shifting from being paid directly to the claimant being responsible. This can lead to arrears being built up as the claimants not use to paying their won rent. For those claimants

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[3] Universal Credit, Welfare that works, DWP, November 2010 (White Paper): https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf
[4] Universal Credit at Work, Spring 2015: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/405921/uc-at-work-spring-2015.pdf
[5] https://www.gov.uk/universal-credit
https://www.gov.uk/universal-credit
ker's[6] Income support, income-based jobseeker's allowance, income-related employment and support allowance, child tax credit, working tax credit and housing benefit.
[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517536/universal-credit-statistics-to-7-apr-2016.pdf
[8] Social Security Advisory Committee (2015) *Universal Credit: Priorities for action*, Occasional Paper no. 15, London: SSAC
[9] Jonathan Portes, director of the National Institute of Economic and Social Research (NIESR), said Duncan Smith was delusional on his timetable for delivery. "2020 may or may not be realistic," he said. "The various milestones are questionable, given that the digital system is only just being tested. You can't really make a sensible timetable until you know what's going on with that." Report in The Guardianhttp://www.theguardian.com/society/2015/mar/11/coalition-britain-after-the-teething-problems-will-universal-credit-work
[10] See briefings available at http://wbg.org.uk/economic-social-policy/universal-credit/for more detail.

concerned about switching to monthly payments, budgeting support will be available and additional arrangements will be provided for the most vulnerable claimants. UC is a monthly benefit, with no weekly/daily rate as such. The amount of Universal Credit paid reflects, as closely as possible, the actual circumstances of a household in each monthly assessment period, including any earnings reported by the employer and any change of circumstances reported by the claimant during that assessment period. As with JSA, here are 7 waiting days before UC can be paid at the beginning of a new claim. UC is designed to be claimed digitally in most cases when it is fully rolled out. There will be help available locally with digital access and with monthly budgeting.[11]

To be eligible Universal Credit, an individual or both members of a couples have to agree to their 'claimant commitment'. The claimant commitment is individualised and developed jointly with a Work Coach and the claimant and determines what work-related requirements are expected of the claimant/s before the claim can go ahead. A couple will be jointly liable for reporting changes in circumstances and for repaying overpayments etc. UC will usually be paid into one bank account, with couples choosing which (joint, or one individual or the other). In cases of dispute, all the UC will be paid to the main carer in couples with children and to the person who pays the main household bills otherwise. In some cases (such as domestic violence or a claimant's failure to maintain the family) the UC payment can be split between accounts; this is usually expected to be temporary.

Claiming UC is one of the criteria for eligibility for passported benefits, such as free school meals. These passported benefits are largely the responsibility of other government departments and as such the eligibility criteria is subject to change, and as these are devolved they may be treated differently in the different nations of the UK.

The Welfare Reform (Northern Ireland) Order 2015 was passed in December 2015, and broadly corresponds to the Welfare Reform and Work Act 2012. Work is ongoing on another Order to which will reproduce relevant elements of the Welfare Reform and Work Act 2016 for Northern Ireland. This should be passed in 2016. Under the Scotland Act 2016, some UC powers have been devolved. The powers will enable Scotland pay UC more frequently, change when a split payment can be made s and pay housing costs direct to the landlord.

Currently monthly UC amounts include £251.77 for a single person under 25 (£395.20 for couples), and £317.82 for someone of 25 or over (£498.89 for couples). A first child means an additional £277.08, with the second and subsequent children adding £231.67 each (with extra for disability). Limited capability for work / work-related activity, give additions of £126.11 and £315.60 respectively; a carer premium adds £150.39. Childcare costs help is more generous than with tax credits, with support of up to 85% of their eligible childcare costs up to a monthly cap (£646.35 for one child and £1108.04 for two or more children)

UC is not available to EU households unless they have worked in the UK first.[12] On 9 March 2015, regulations were laid preventing EEA jobseekers from accessing UC. An EEA national whose only right to reside is as an EEA jobseeker, or a family member of such a person, cannot satisfy the 'habitual residence test' and will not be entitled to UC.[13]

A new round of £12 billion cuts to working age benefits were announced in summer 2015. All benefits and tax credits would be frozen until 2020. The benefits cap was to be reduced. These cuts would be partially offset by the introduction of a new increased national minimum wage (misleadingly named as "national living wage"). This will add a premium to the existing

[11] Under 'universal support delivered locally': https://www.gov.uk/government/publications/universal-support-delivered-locally-information-for-local-authorities

[12] https://www.gov.uk/government/news/eu-jobseekers-barred-from-claiming-universal-credit; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/439799/admc1.pdf

[13] http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06889

and prospective national minimum wage for those over 25: the rate is £7.20 from April 2016 rising to £9 by 2020 pegged to 60% median earnings.

Following the summer 2015 budget announcements a number of analyses of their distributional consequences were published[14]. These indicated that, despite the national minimum wage, under-25s, most families with children, and families in the bottom end of the income distribution would lose substantial amounts and that child poverty would increase by as much as 600,000 by 2020.

Following a defeat on the proposed cuts in tax credits in the House of Lords, the Chancellor of the Exchequer announced in the Autumn Statement on November 25 2015 that he was abandoning the cuts in tax credits (the reduction in the eligibility threshold and the increase in the taper). All the other measures announced in the Summer Budget 2015 remain, including the cash freeze on benefit levels, the reduction in the UC work allowances, reduced eligibility for new claims (including the loss of the family element in the Child Tax Credit for those families who are responsible only for a child or qualifying young person born on or after 6 April 2017 and the limit to two children which, for the Child Tax Credit individual element, will affect families who are responsible for a third or subsequent child born on or after 6 April 2017, subject to certain exceptions) and all the changes he had proposed to UC. He also announced a new earnings floor for the self-employed, which assumes that they are earning the new national living wage, tighter eligibility for Child Tax Credit (outlined above and see also below on pages?) and savings to housing benefit.

So some of the losses proposed for 2016 in the 2015 summer budget will be avoided. Losses that people will actually experience will now depend on when (and if) they move onto UC. The Resolution Foundation[15] estimate that average notional losses in 2020 will be £1000, £1300 for families with children, and that the distributional consequences are heavily regressive. However it is important to note that anyone who is moved by the Department onto UC from Tax Credits and other legacy benefits, whose circumstances remain the same, will be given financial protection and will not experience a cash loss. More recent projections by the Institute for Fiscal Studies[16] predict that relative child poverty would rise from 17.8% in 2015/16 to 25.7% in 2020/2, increasing the number of poor children by 1.2 million and reversing most of the progress made since 1997/98. There have been changes to UC recently because cuts to other benefits have been extended to it as well. The Institute for Fiscal Studies concluded: 'A series of pre-emptive cuts means that introducing UC will in the long run reduce the generosity of the benefit system – including to working families, in a reversal of the original intention. But it will still do a lot to help make work pay for many of those who currently face the most severe disincentives.'[17] The Resolution Foundation[18] has argued that DWP should

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[14] Kelly, G. (2015) "Will wages fix the tax credit gap? Don' budget for it" Resolution Foundation http://www.resolutionfoundation.org/media/blog/will-wages-fill-the-tax-credit-gap-dont-budget-for-it/
Finch, D. (2015a) "A Budget for workers? The impact of the Summer Budget on work incentives and Universal Credit" Resolution Foundation briefing. http://www.resolutionfoundation.org/publications/a-budget-for-workers-the-impact-of-the-summer-budget-on-work-incentives/
Hirsch, D. (2015) "Will the 2015 Summer Budget improve living standards in 2020?" Joseph Rowntree Foundation https://www.jrf.org.uk/report/will-2015-summer-budget-improve-living-standards-2020.
Elming, W., Emmerson, C., Johnson, P. and D. Phillips (2015) "New analysis of the potential compensation provided by the new 'National Living Wage' for changes to the tax and benefit system" Institute for Fiscal Studies. http://www.ifs.org.uk/publications/7980.
Finch, D. (2015b) "A poverty of information: assessing the government's new child poverty focus and future trends" Resolution Foundation briefing. http://www.resolutionfoundation.org/wp-content/uploads/2015/10/Child-poverty-briefing.pdf
Cribb, J., Hood, A., Joyce, R. & Phillips, D. (2013) *Living Standards, Poverty & Inequality in the UK: 2013*, London: Institute for Fiscal Studies.

[15] Whittaker, M. (2015) "O, blessed revisions: fiscal windfall and what to do with it." Resolution Foundation http://www.resolutionfoundation.org/wp-content/uploads/2015/11/SR2015.pdf.

[16] Brown, J. and Hood, A. (2016) Living standards, poverty and inequality in the UK: 2015-16 to 2020-21. London: Institute for Fiscal Studies.

[17] http://www.ifs.org.uk/publications/8135 (chapter on UC in *Green Budget*, Institute for Fiscal Studies).

reclaim the role of UC in supporting more people into work and then boosting earnings, rather than being a source of savings for the Treasury to meet fiscal targets.

DESCRIPTION OF THE CHARATERISTICS OF THE LEGACY BENEFITS[19]

The existing system of minimum income support is different for those employed and working at least 16 hours a week, 24 hours a week for couples, and if not a parent, returning to work age 60+ or disabled 30 hours per week and those working less than 16/24/30 hours a week or not at all. The 'employed' group may be entitled to top up earnings with working tax credit (including a childcare element), child tax credit, housing benefit, council tax support and exemption from health charges and (for some) free school meals, as well as child benefit. Those not employed may be entitled to income-related employment and support allowance, income support, income-based jobseeker's allowance, child tax credit, housing benefit, council tax support, free school meals and exemption from health charges; they may in addition be entitled to child benefit, non-means-tested insurance benefits etc**.**

WORKING AGE

Out-of-work benefits[20]

The available benefits are income support, income-based JSA and income-related ESA. The appropriate one to claim depends on the claimant's circumstances. Entitlement to any of them can arise only where the claimant is not working for 16 hours per week or more, and earnings are deducted £1 for £1 after a small work allowance of either £5, £10 or £20 depending on circumstances. Income support is social assistance for mainly lone parents with children under 5 who are not required to work (case load 700,000). Income-based JSA provides benefit at the same level as IS but for those registered as unemployed (case load 589.000); and income-related ESA (caseload 1.7 million) initially provides benefit at the same level for those who are not working due to sickness or disability, but this can rise from the start of week 14 of the award (called the "main phase") subject to the outcome of a medical assessment..

Single under 25 £57.90 per week (for ESA, £73.10 if in the main phase)
Single over 25 £73.10 per week
Couple both over 18 £114.85 per week

Plus premiums - see belowPlus (for income-related ESA only) an additional £29.05 per week in the main phase) for those in the work-related activity group (those who have limited capability for work but who are nevertheless capable of undertaking some work-related activity, and could, with additional support, eventually return to work); or an extra £36.20 per week for those placed in the support group (those who are unlikely to be able to work at all).

[Plus (non-means-tested[21]) child benefit for
First child £20.70 per week and
Second and subsequent child £13.70 per week

Plus (means-tested) child tax credit (1.2 million families received out- of- work CTC in 2015)
Family element £545 per year
Child element £2780 per year (with additions for disabled children)

Plus up to 100% of rent in housing benefit (though many tenants now do not get 100% of their rent, in particular in the private sector, due to various changes)

Plus x% of council tax due, depending on local authority support scheme

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[18] Finch, D. (2016) Universal Challenge – making a success of Universal Credit http://www.resolutionfoundation.org/publications/universal-challenge-making-a-success-of-universal-credit/

[19] This is only a summary. For full details see Child Poverty Action Group (2016) *Welfare Benefits and Tax Credits Handbook 2016/2017*, 18th edition, London: CPAG.

[20] (£1=€1.29)

[21] If someone in a household getting child benefit has taxable income of over £50, 000 per year, a high income child benefit charge is levied until child benefit is phased out. This can be avoided by the person getting child benefit opting not to receive it.

Plus free school meals
Plus exemption from health charges (where these apply - prescriptions are free in Scotland and Wales)

In-work benefits

Net earnings
[Plus (non means-tested) child benefit
For first child £20.70 per week
Second and subsequent child £13.70 per week
- Now with high income child benefit charge for some households (see above)
Plus working tax credit (on incomes of less than £6420 per year if only working tax credit; taper=41% from income over that threshold). 515,000 received WTC only in 2015.
Single £1960 per year
Couple or lone parent additional £2010 per year
If working 30 hours additional £810 per year
(With additional amounts for disabled/severely disabled children)
Plus 70% of eligible childcare costs up to £175 per week for one child and £300 for two or more children.
Plus child tax credit (on incomes less than £16,105 per year if only child tax credit; taper=41% from income over that threshold). 1.8 million received WTC and CTC and 783,000 CTC only in 2015.
Family element £545 per year
Child element £2780 per year
(with additional amounts for disabled/severely disabled children)
Plus % of rent depending on income and rent.
Plus % of council tax depending on income, council tax and the local authority scheme.
Plus exemption from health charges[22] and free school meals.

Until 2010, these benefit levels and tax credits were normally revised annually and uprated in line with a retail prices index (the 'Rossi' index for means-tested benefits). However, since 2010 this has not been the invariable pattern and in the summer Budget 2015 it was announced that certain benefit levels are to be frozen for four tax years starting from 2016-17.

Table 1 presents a picture of the minimum income a set of model families would receive in out-of-work benefits. Table 2 presents a picture of the same model families if they had one earner working for the minimum wage for 40 hours per week.

[22] Prescriptions are free in Scotland and Wales.

Table 1: Model families out-of-work £ per week April 2016

	Single	Couple	Couple plus 2	Lone parent plus 1
Income based JSA	73.10	114.85	114.85	73.10
Child benefit	-	-	34.40	20.70
Child tax credit	-	-	117.40	63.77
Housing benefit[23]	120.00	120.00	120.00	120.00
Council tax support[24]	18.00	24.00	24.00	18.00
Free school meals[25]	-	-	20.00	-
Total before housing costs	£211..10	£258.85	£430.65	£295.57
Total after housing costs	£68.60	£108.85	£280.65	£153.07

Table 2: Model families, one earner working 40 hours per week on the minimum wage in May[26] 2016 (£7.20 per hour)

	Single	Couple	Couple plus 2	Lone parent plus 1
Gross earnings	288	288	288	288
Less income tax	-15.29	-15.29	-15.29	-15.29
Less NI contribs	-15.96	-15.96	-15.96	-15.96
Child benefit	-	-	34.40	20.70
Child tax credit	-	-	117.08	63.77
Working tax credit	-	24.40	24.40	130.51[27]
Housing benefit[28]	14.99	29.52	40.39	44.00
Council tax support[29]	-			
Total before housing costs	271.74	310.67	473.02	515.73
Total after housing costs	129.24	160.67	323.02	373.23

ADMINISTRATION OF SOCIAL SECURITY

Minimum income scheme policy is set by the national government. It is a rule based system with national scale rates of benefit. It is administered by staff who are central government civil servants. The Government Department responsible for most elements of the scheme is the Department for Work and Pensions (DWP), though Tax Credits and Child Benefits are administered by Her Majesty's Revenue and Customs (HMRC). Local Government administers housing benefit (and free school meals) following national rules. Council tax support used to be called 'council tax benefit', a national scheme, but the last government devolved it to local government, which now has discretion to vary the scheme, whilst having a 10% cut in the budget and an instruction to protect pensioners. In Wales if a local authority does not have its own scheme there is a default scheme; in Scotland there is a national scheme administered by local authorities. Free school meals are a GB-wide scheme, though conditions can vary in Scotland and Wales. They are passported on out-of-work benefits though also available to those on lower incomes on working tax credit in Scotland, and are administered by local authorities and schools. Exemption from health charges is passported on receipt of other benefits (as well as on some other criteria); but prescriptions are free in

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23 We have assumed a rent of £120 per week and not varied it by family type for comparison purposes. The national average local housing allowance is £110.40 for one bedroom, £137.39 for two bedrooms and £162.74 for three bedrooms https://www.gov.uk/government/publications/local-housing-allowance-rates-january-2015

24 Assumed council tax=£30 and local scheme covers 80%, single person has a 25% discount =£22.50.

25 Estimated value.

26 In Housing Benefit the family premium has been removed for new claims from May 2016. This reduces the amount of Housing Benefit payable. Some Council Tax Support schemes have also removed the family premium, however this is a localised scheme and some areas have kept the premium in. The May 2016 table has not included the family premium for either Housing Benefit or Council Tax Support.

27 This includes childcare tax credit. Child care at £152 per week assumed.

28 Assumed rent = £120 per week in the social housing sector.

29 Assumed council tax=£30 and local scheme covers 80% of what would have been received under previous national scheme.

Scotland and Wales. Parts of the last resort safety net scheme known as the discretionary Social Fund are now run by local authorities in England and at national level by Wales and Scotland. The Social Fund was introduced in 1988 to provide short-term financial assistance to people in need. Parts of it were statutory but others were discretionary. Some elements of the discretionary Social Fund were transferred to local authorities as local welfare assistance schemes supported with special (albeit not ring-fenced) funding in April 2013. It was announced that this special funding would end from 2015/16 and local authorities would be expected to cover the costs. The government is now reconsidering this as a result of a judicial review challenge and a review is in progress. The government still provides funeral payments, Sure Start maternity grants and cold weather payments out of the statutory part of the scheme, and budgeting loans from the discretionary part, at a cost of £213million in 2013/14. However personal social services and income support are separate functions in UK social policy. Social security administration is highly automated; most claims are made by post or on-line with little personal interaction between staff and claimant in local offices. The exception is job search through Jobcentre Plus, local offices of DWP. Long term unemployed job search support is contracted to independent bodies through the Work Programme. Assessments of capability for work for the purposes of satisfying entitlement to ESA Employment and are also contracted to a commercial agency.

Out-of-work benefits are administered by local offices of the DWP called Jobcentre Plus. Claims for JSA are mainly made on-line and, for IS and ESA most likely by phone, and benefits paid automatically into bank or post office accounts. Tax credits and child benefit are administered on-line and by post by national offices of HMRC. Housing benefit (HB)_ and council tax support, as well as local welfare assistance, are administered by offices of the local authority (though some contract out the delivery of these services). There are some areas which have joint offices or schemes when it possible to claim IS/JSA/ESA and HB/child tax credits (CTC) at the same time. Social services are local authority functions and the National Health Service is operated by separate regional bodies responsible to the national Department of Health.

Most of the benefits and tax credits making up the minimum income package are rights based. Housing benefit has local rent limits. Council tax support schemes now vary from local authority to local authority for non-pensioners. Some discretionary elements of the Social Fund (the last resort safety net for the social assistance scheme), in particular community care grants and crisis loans for emergencies, have been devolved to local authorities who can run their own local welfare assistance schemes in England. Local authorities are also responsible for mitigating the effects of the benefit cap (the national limit on the amount of benefit for out-of-work families) and other welfare reforms through administering a discretionary housing payments scheme.

ELIGIBILITY CONDITIONS

a) age:
16/17 year olds would usually be included in someone else's claim for means-tested benefits, like younger children (and being in full-time study usually disqualifies someone from claiming in their own right). They can qualify if they fulfil the rules of entitlement, usually meaning that they are living independently; but local authorities should provide for those previously in care ('looked after').
Single people under 25, and lone parents under 18, get lower rates of means-tested benefits; under-25 year olds can only get working tax credit if they are disabled or have a child.
At pension credit qualifying age (women's state pension age, which is gradually increasing), claims should be made for pension credit rather than the benefits described here.

b) nationality/residence requirements:
'The rules on eligibility for benefits for people coming to the UK from abroad are one of the most complex areas of welfare rights law.' Asylum seekers are not entitled to claim

mainstream non-contributory (including means-tested) benefits, and instead may get less generous financial support (and accommodation) from the Home Office while their asylum application is being considered. Refugees whose claims have been accepted can claim benefits on the same basis as UK nationals.

Non-EEA and non-UK nationals may be subject to immigration control and cannot normally claim means-tested benefits, though those with indefinite leave to remain are able to claim on the same basis as UK nationals. 'Subject to immigration control' means someone needs permission to enter/remain in the UK. This includes someone who has permission to enter or remain only if not claiming benefits or using public funds; or was given permission to enter/remain because someone agreed to support them. Limited exceptions exist for those who have been in the UK for some time and in emergencies. Even if they qualify, they may need to satisfy the 'habitual residence test' for means-tested benefits administered by the Department for Work and Pensions and the "ordinary residence test" for Child Benefit and tax credits administered by HMRC: in addition to ordinary residence, all Child Benefit and Child Tax Credit claimants, regardless of nationality, must have a legal right to reside in the UK under either UK national law or EU law (see below).

EEA nationals from abroad (and some British citizens returning to the UK) must usually pass the 'habitual residence test' to be entitled to means-tested benefits (or, as noted above, be 'ordinarily resident' for Child Benefit and tax credits). There is no statutory definition but this concerns the right to reside and the intention to settle. The broad idea is that someone is economically active or self-sufficient. An EEA national will have a right to reside if they are a worker/former worker or jobseeker/student, or the main carer for a child, or a family member of someone else with the right to reside.

Some people are exempt from the habitual residence test - e.g. refugees, or those granted discretionary leave or leave under humanitarian rules or a domestic violence concession; those not subject to immigration control and deported/ expelled/removed from another country; EEA workers or self-employed people, or family members of that person; EEA nationals who have worked in the UK but now cannot because of incapacity, or involuntary unemployment, or those who have retired, or a family member of people in those categories. Jobseekers are not exempt.

All EU jobseekers must now live in the UK for at least 3 months before they can claim income-based JSA, Child Benefit and Child Tax Credit. After 3 months on JSA, there is a 'genuine prospect of work' test and in the absence of an imminent job offer they may lose their benefits and right to reside as a jobseeker. Migrant jobseekers from the EU are no longer able to claim housing benefit. Migrants from the EU who have been in work or self-employed may be able to gain access to a wider range of benefits, however they now face a new test to decide whether they should be considered a worker or ex-worker, with those earning below a minimum earnings threshold subjected to individual assessment

If an EEA migrant in the UK is working in the UK and has a right to reside, they may, by virtue of the EC social security co-ordinating regulations (EC Regulations 883/2004 and 987/2009) be able to claim Child Benefit and Child Tax Credit for their dependent children even if they are not resident in the UK.

c) employment status:
While some benefits are commonly claimed by people in work (housing benefit, council tax support and child tax credit), IS, JSA(IB) and ESA(IR) are usually paid to those out-of-work, with limited allowances for earnings or other exceptions (see below).

For working tax credit, the minimum for those with children is 16 hours' work per week, or (usually) 24 hours for a couple. Disabled people are also required to work 16 hours per week in order to claim. Those working 30 hours a week are entitled to an additional element . For those without children or disabilities or over 60 and returning to work, working tax credit is only available from 30 hours' work per week (age 25 plus).

d) income/asset status:
The rules about what income is taken into account (fully or partially) or to disregard vary. Income of the individual and their partner counts, and a deduction is made from housing benefit to take account of a contribution towards rent from some non-dependants in the household; but child support from a non-resident parent is ignored. Tax credits are taken into account for housing benefit, but child tax credit is now in effect the child element of means-tested benefits.

Means-tested benefits rules usually take most other income into account and earnings above low limits (£25, £20 or £5/10 per week for IS, JSA (IB) and HB) are offset 100% against benefit. For housing benefit, there is an additional earnings disregard related to working tax credit eligibility (£17.10). For income-related ESA, some people can do 'permitted work' because of their condition, with more generous earnings rules.

There are capital rules for out-of-work benefits. Capital up to £6,000 is ignored and does not affect benefit. Between £6,000 and £16,000, capital is assumed to produce a 'tariff income' (£1 per week for every complete £250 and £1 per week on any excess) and so will reduce benefit entitlement. Above £16,000 you cannot get means-tested benefits. A property you live in does not count. Disposing of capital deliberately to qualify for benefit means it is counted as still belonging to you. A partner's capital counts with the claimant's. For tax credits, capital is not taken into account, but income from savings counts against your entitlement.

e) other:
You cannot usually get means-tested benefits if you are studying full time.

CONDITIONALITY RULES

Conditionality has been applied increasingly to more groups in recent years, including partners in joint claim JSA couples, lone parents with younger children and those designated as having limited capability for work, but able to carry out work-related activity in preparation for a future move into work incapable of work. The conditionality and sanctions rules for ESA, JSA and DQ – UC is operating now so the conditionality rules for UC need to be set out. have also been tightened since 2010. Under JSA, ESA and income support there are 3 levels of conditionality (ESA claimants in the 'support group' are exempt):

- Low – attendance at meetings
- Medium – attendance at meetings and work-related activity/work preparation
- High – job seeking activities, job applications and acceptance of job offers.

Failure to comply attracts sanctions as follows:

- Low – ESA: from loss of benefit for 1 week (1st failure) to 4 weeks (3rd failure)
- Low – JSA: from loss of benefit for 4 weeks (1st failure) to 13 weeks (2nd and later failures)
- Medium – JSA: from loss of benefit for 4 weeks (1st failure) to 13 weeks (2nd and later failures)
- High - JSA: from loss of benefit for 13 weeks (1st failure) to 3 years (3rd failure).

It may be possible to get hardship payments in certain circumstances when sanctioned.

Duration
Minimum income benefits and tax credits are not time limited in the UK.

Transitions

Problems with transitions to employment, especially over 16 hours per week - usually involving moving from out-of-work benefits to WTC, or no benefit at all, combined with having to reclaim housing benefit form one of the main justifications for introducing UC, which is available in and out-of-work. This is a real issue and can involve risks to ongoing income which are particularly hard for those with children.
See above on earnings rules. Tax credits and housing benefit are reduced by a 'marginal tax rate' that takes earnings beyond a disregarded amount into account in part. In addition, for tax credits a certain amount of increased income during the year is ignored.

Frequency of payment

Most means-tested benefits are now paid fortnightly in arrears (weekly before 2009), though the assessment period is a week. For tax credits, claimants can choose whether to be paid weekly or four-weekly. Housing benefit is usually paid in arrears at the same intervals as rent is due, though it can be paid more frequently (e.g. if someone is in arrears). Tenants who get rent allowance can insist on fortnightly payment if it is more than £2/week. Support for mortgage interest is usually paid 4-weekly in arrears.

Universal credit (UC) is calendar monthly payments in arrears.

Recipient

Most benefits are now paid into bank/building society/post office accounts. Payment is usually made to the person who claims the benefit on behalf of the family. But there are some exceptions. For joint claims to JSA, couples can choose which of them receives it. Housing benefit is usually paid to whoever is the tenant, though many social housing tenants' housing benefit is paid direct to the landlord and help with mortgage interest is usually paid to the lender. Child tax credit is paid to the person the couple identifies as the main carer, as is the childcare element of working tax credit (itself usually paid to the main earner). There are special arrangements in some cases (e.g. domestic violence).

Links with other social benefits and services

Recipients of out-of-work benefits will get up to 100% of their rent covered by housing benefit, subject to local rent limits in the private rented sector, the 'bedroom tax' (or abolition of the spare room subsidy) in social housing where applicable, and the benefit cap which restricts total benefit income to £2167 per month for couples and lone parents and £1517 for others. Recipients of in-work tax credits may be entitled to some housing benefit depending on their rent, income and family composition. The same applies to council tax support, though since it was localised recipients of out-of-work benefits would be unlikely to get 100% of their council tax covered in many areas. The scale rates for out-of-work benefits and housing benefit have premiums in the means test for claimants (or children) with disabilities. Child tax credit has a disabled child element and working tax credit has a disabled worker element. They both have severe disability elements. The needs of children are met by child benefit (non means-tested) and child tax credit. Some part of (formal) childcare costs can be met if either a lone parent is working at least 16 hours/week or both parents are working in couples.

It should be noted that deductions can be made from means-tested benefits in order to ensure that claimants maintain payments for certain purposes (e.g. rent arrears), as well as to repay overpayments etc.

Other means-tested benefits

Apart from the means-tested benefits already described, recipients of out-of-work means-tested benefits are entitled to a Sure Start maternity grant of £500 for a birth or adoption if there are no other children in the family under 16. Similarly, it is possible to claim a funeral expenses payment for the death of a close relative. £25 per week cold weather payments are made if exceptionally cold weather is forecast or recorded for the area in which the claimant lives. Social Fund budgeting loans of between £100 and £812 for certain expenses may be available to some.

Education maintenance allowances are means-tested payments for young people aged 16-19 staying on in education whose parents are on low incomes in Wales, Scotland and Northern Ireland. They have been replaced by 16-19 bursaries, a more limited discretionary scheme, in England.

Passport to other services and benefits
Receipt of out-of-work means-tested benefits acts as a passport to 'healthy start' food vouchers and vitamins for pregnant and nursing mothers, free school meals and exemption from charges for prescriptions, dental and optical treatment. It may also be used as a passport to reduced charges for aids and equipment provided by local authority personal social services. In some local authority areas this may also be true for (e.g.) use of leisure services etc.; and local authorities can give grants for school uniforms and other school clothes, for which they can determine their own eligibility rules. Individual schools often have schemes for exempting children from paying costs associated with education which again can be operated by the schools themselves (though there are rules about which charges must be voluntary etc.).

Most recently, families with 2-year-olds on a range of means-tested benefits and tax credits for those in or out-of-work (as well as those with children with special educational needs or disabilities) are entitled to part-time free early years education. Conditions may differ in terms of entitlement to some services in the devolved nations, and also in different local areas (e.g. use of leisure services, access to help with school uniforms etc.); and some schemes can be provided at even lower level (such as by schools). The coalition government declared itself in favour of 'localism'.

For those involved in active labour market programmes, there is no necessary link between claiming benefit and access to services. No specific health or childcare services are allocated to long-term unemployed people, though Work Programme providers can organise or facilitate 'enabling services' such as childcare, health services or transport, including providing some resources. But providers are under no obligation to provide or broker such services, and clients cannot invoke rights to them.[30] One person acts as coordinator for referrals etc. for the client.[31] But evidence to date suggests few clients receive direct help with other social services from Work Programme providers (the common response is to *signpost* clients to external services, but not be responsible for delivery).[32] In particular, access to health-related support in the Work Programme for disabled people seems partial and unequal.[33]

A central enabling service for disabled people or those with health/mental health problems is Access to Work, a government scheme to provide help with the costs of adapting premises

[30] See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323833/ssac_occasional_paper_6.pdf
[31] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388371/rr892-work programme-participants-experience.pdf
[32] Sainsbury, R. and Bradshaw J. (2015) *ESPN Thematic Report on Integrated Support for the Long-term Unemployed*, Brussels: European Commission; http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=30&langId=en&mode=advancedSubmit&advSearchKey=ESPNLTU
[33] Ceolta-Smith, J. *et al.* (2015) 'A review of health-related support provision within the UK Work Programme: what's on the menu?', *Social Policy and Administration* 49(2): 254-276

and equipment for disabled workers. But it seems that lower-skilled workers are less likely to be able to access help in employment contexts.[34]

McKnight and Vaganay (forthcoming) find little evidence on the impact of enabling services on employment outcomes, in part because evaluations tend to take them as part of the background, though they argue that such services could help to improve net impacts, especially for the disadvantaged.

Devolution

The review above does not take account of the increasing tendency for policies to diverge in different parts of the UK. Thus in Northern Ireland the Assembly never adopted the 2012 Welfare Reform Act. The Northern Ireland (Welfare Reform) Act 2015 was only accepted with a £585 million fund to "top-up" UK welfare arrangements over a four-year period, to include funding to top-up tax credits and to ensure tenants in Northern Ireland are not affected by the bedroom tax . A working group[35], led by Professor Evason, has set out proposals to mitigate the cuts in Universal Credit and other benefits in Northern Ireland. Scotland and Wales never abolished the Educational Maintenance Allowance. Scotland has already seen some devolution: Council Tax Benefit is now "Council Tax Reduction" in Scotland. The Social Fund is replaced in Scotland by the Scottish Welfare Fund, backed up by extra resources. In Scotland prescriptions and eye tests, which in England have been the subject of means tests now are not in Scotland. This equally applies to people living in Wales. The Scottish Government has also used schedule 5 of the Scotland Act 1998 to make discretionary housing payments available and has announced funding measures which effectively abolish the bedroom tax. The Scotland Act 2016 gives the Scottish Government new powers to top-up certain social security payments. Although these powers have not yet been extensively used, in the context of the Scottish Parliamentary elections in 2016, various bodies including CPAG Scotland[36] are calling for policies to be adopted to mitigate the impact of UK Government policies, including a higher rate of Child Benefit in Scotland.

PENSIONERS

The state pension system for individuals who reached State Pension age before 6 April 2016 includes a contributory state pension scheme consisting of a flat-rate basic State Pension, and an earnings-related additional state pension (both mandatory). The current level of the contributory State Pension is a flat rate of £119.30 per week from April 2016, plus any additional pension award. People reaching State Pension age after 5 April 2016 under the New State Pension scheme will qualify for State Pension under the new State Pension system. Once the transition to the new system is fully in place, this will provide a state pension of £155.65 a week (at April 2016 rates) for those with the requisite number of qualifying years. In the interim, individuals whose pre-April 2016 contribution records would have provided more than £155.65 under the old State Pension rules will receive the higher amount.

Individuals without substantial other income or capital may claim Pension Credit, a means-tested, tax-financed benefit consisting of a guarantee credit providing a weekly income of £155.60 for a single person and £237.55 for a couple and a Savings Credit providing up to £13.07 a week for a single person and up to £14.75 for a couple. Just over 2 million pensioners were receiving pension credit in 2015.

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[34] Baumberg, B. (2015) 'From impairment to incapacity: educational inequalities in disabled people's ability to work', *Social Policy and Administration* 49(2): 182-198

[35] Evason Report (2016) Welfare Reform Mitigations Working Group Report January 2016 http://www.nicva.org/sites/default/files/d7content/attachments-articles/welfare-reform-mitigations-working-group-report.pdf

[36] CPAG Scotland (2016) Poverty in Scotland 2016: Tools for Transformation. Child Poverty Action Group

The wider pensioner package includes funding of winter fuel payment, the Christmas bonus, free television licences (for the over 75s) as well as assistance from local authorities in the form of Housing Benefit, Council Tax support and the provision of free bus passes.

The government responded to the findings in the 2004 report from the UK Pension Commission which was critical of pension adequacy levels, and addressed this in a systematic way through a series of pension reforms. This included the successful introduction of the ‘triple lock’ guarantee from June 2010, which allows the basic State Pension to be increased by the higher of

- CPI inflation,
- average earnings growth, or
- 2.5 percent.

The current state pension age (SPA) is between 62 and 63 for women and 65 for men and will continue to change whilst the UK continues to equalise the state pension age for men and women. The Pensions Act 2011 raises the state pension age for women to 65 by 2018, and for both men and women to 66 between 2018 and 2020. In the future the state pension age is to be reviewed every six years and raised in line with developments in life expectancy. The review will be based around the idea that people should be able to spend a certain proportion of their adult life drawing a State Pension – possibly up to a third.[37] At present, pensioners with 30 qualifying years are entitled to the flat-rate basic state pension; however credits can be and are awarded to individuals who have caring or family responsibilities. This means that child care responsibilities do not prevent an individual from accessing a full UK State Pension.

All prescribed income is taken into account in assessing pension credit. Certain payments including personal independence payments, disability living allowance, attendance allowance (all for the extra costs of disablement), child tax credit and child benefit are disregarded in full. Capital under £10,000 is disregarded and £1 is taken into account for every £500 capital over £10,000.

Following on from a series of pension reforms – and building on the 2010 pension reforms – the new Pensions Act 2014 has introduced a simplified pension system from April 2016. This unifies the basic state pension and the state second pension into one higher-rate pension. The number of Qualifying Years required to claim the full New State Pension rises to 35 years, and includes the reintroduction of a minimum qualifying period, which for new state pension is 10 years.[38] People whose working life begins after April 2016 and have the requisite qualifying years will receive £155.65 per week. Those with between 10 and 35 qualifying years will receive a pro-rated amount. Those whose working life began before April 2016 may receive more or less than £155.65 but, provided they satisfy the minimum qualifying period, will not receive less than they would have received under the old state pension system based on their own pre-April 2016 National Insurance contributions. Over time it is expected that this will reduce the need for Pension Credit.

SPENDING ON MINIMUM INCOME SCHEMES

Table 3 is taken from the DWP statistics[39]. The elements that could be considered part of the minimum income scheme in that they are means-tested are highlighted. Out of the total expenditure 27.2% was on minimum income benefits. But this table excludes child benefit

[37] Chancellor's *Autumn Statement* of 5 Dec. 2013: https://www.gov.uk/government/publications/autumn-statement-2013-documents, p. 89 point 2.72

[38] Until 2010, a person was not entitled to any basic state pension if they did not have enough qualifying years to be entitled to at least 25% of the full rate. This meant 10 years for a woman and 11 for a man due to the difference in male and female state pension age.

[39] https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2016

(£11.2 billion in 2014/15) and tax credits (£28.8 billion in 2014/15) currently administered by HMRC. The two elements of the minimum income scheme that have been driving up expenditure in recent years have been Employment and Support Allowance and Housing Benefit.

Table 4 gives the trends in case-loads with the income related benefits highlighted. The largest number of claimants are receiving housing benefit, pension credit and jobseekers allowance. But again child benefit and tax credits are not shown on the table. Child benefit was received by 7.42 million families in respect of 12.9 million children in 2015. 1.2 million received out-of-work child tax credit, 1.8 million working tax credit and child tax credit, 783,000 child tax credit only and 515,000 working tax credit only in 2015.

Table 3: Expenditure by benefit, £ million, real terms (2015/16 prices)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Armed Forces Independence Payment				5	6	7	8	9	10	11	12
Attendance Allowance	5,614	5,646	5,686	5,452	5,433	5,489	5,452	5,434	5,479	5,618	5,803
Bereavement benefits	659	628	615	592	572	569	546	546	492	459	427
Carer's Allowance	1,688	1,833	2,001	2,124	2,324	2,560	2,704	2,833	2,965	3,086	3,157
Christmas Bonus	166	164	162	157	158	160	154	150	146	142	139
of which contributory	131	130	128	125	125	124	123	120	117	114	111
of which non-contributory	35	34	34	33	33	36	32	30	29	28	28
Cold Weather Payments	468	136	147	9	11	27	127	128	127	126	124
Council Tax Benefit	5,288	5,201	5,101								
Disability Living Allowance	12,754	13,288	13,946	13,999	13,826	13,225	11,222	8,333	5,736	4,939	4,782
Discretionary Housing Payments	23	24	59	179	200	125	148	179	190	181	128
Employment and Support Allowance	2,397	3,758	7,040	10,616	12,853	14,276	14,423	14,090	13,727	13,633	13,636
of which contributory	1,025	1,479	2,393	3,600	4,109	4,464	4,518	4,302	4,040	3,900	3,784
of which income-based	1,371	2,279	4,647	7,016	8,744	9,812	9,905	9,788	9,686	9,733	9,852
Financial Assistance Scheme	49	78	115	162	188	209	211	218	226	232	236
Funeral Expenses Payments	48	49	46	45	44	44	41	40	40	40	40
Housing Benefit	23,009	24,131	24,809	24,592	24,361	24,273	23,696	22,773	22,187	21,627	21,619
Incapacity Benefit	5,966	5,219	3,402	1,207	245	75	11	1	0	-0	-0
Income Support	8,437	7,399	5,513	3,644	2,899	2,705	2,363	2,014	1,883	1,871	1,899
Independent Living Fund	376	345	316	290	272	-	-	-	-	-	-
Industrial injuries benefits	954	939	940	916	910	897	878	841	811	794	769
In Work Credit	118	123	114	103	16	-	-	-	-	-	-
Job Grant	65	55	59	1	0	0	-	-	-	-	-
Jobseeker's Allowance	4,804	5,217	5,368	4,413	3,071	2,329	2,470	2,610	2,690	2,687	2,719

of which contributory	860	793	688	536	370	306	303	321	339	335	334
of which income-based	3,944	4,424	4,681	3,877	2,701	2,024	2,166	2,289	2,351	2,352	2,385
Maternity Allowance	369	387	411	407	417	443	448	450	452	461	479
Mesothelioma 2008	10	10	10	9	10	8	9	9	8	8	8
New Deal and Employment programme allowances	148	50	1	1	0	0	0	0	0	0	0
New Enterprise Allowance	-	5	19	33	31	23	11	-	-	-	-
Over 75 TV Licences	621	621	619	617	613	620	621	632	444	230	-
Pension Credit	8,851	8,515	7,799	7,162	6,589	6,078	5,666	5,338	5,040	4,923	4,816
Personal Independence Payment	-	-	-	163	1,568	2,991	4,924	7,801	10,455	11,534	11,787
Pneumoconiosis 1979	41	40	44	46	45	46	45	44	43	42	40
Return to Work Credit	66	41	29	26	4	-	-	-	-	-	-
Severe Disablement Allowance	954	931	921	874	737	464	187	116	111	107	103
Social Fund Discretionary	293	134	101	9	-	-	-	-	-	-	-
Specialised Vehicles Fund	17	17	17	16	16	17	17	16	16	16	16
State Pension	74,993	78,410	82,874	84,536	86,689	89,285	90,323	91,026	92,157	93,298	94,243
of which contributory	74,930	78,344	82,796	84,439	86,601	89,177	90,228	90,928	92,059	93,197	94,140
of which non-contributory	62	66	78	97	88	108	95	97	98	101	104
State Pension transfers	-2	5	2	3	2	3	2	2	2	2	2
Statutory Maternity Pay	2,292	2,321	2,347	2,313	2,289	2,347	2,344	2,368	2,393	2,437	2,470
Statutory Sick Pay	48	50	54	53	6	-	-	-	-	-	-
Sure Start Maternity Grant	141	49	41	38	34	31	34	33	33	32	32
Universal Credit - actual (to 2015/16)				6	56	483	-	-	-	-	-
Universal Credit - marginal costs (from 2016/17)							-106	-506	-1,384	-2,391	-2,860
Vaccine Damage Payments	0	-	-	0	0	0	1	1	1	1	1
Winter Fuel Payments	2,963	2,273	2,226	2,177	2,121	2,080	2,028	1,957	1,884	1,833	1,786
Total benefit expenditure	**164,688**	**168,091**	**172,953**	**166,996**	**168,618**	**171,890**	**171,008**	**169,488**	**168,363**	**167,979**	**168,410**
Total contributory benefits (C)	86,279	89,356	92,836	93,274	94,736	97,507	98,524	99,038	99,895	100,904	101,746
Total income-related benefits (IR)	52,366	52,809	53,372	46,970	45,928	45,602	44,038	42,077	40,154	38,495	38,034
Total non-contributory and non-	26,042	25,927	26,745	26,752	27,954	28,780	28,445	28,373	28,314	28,580	28,631

income-related benefits (NC / NIR)											

Table 4: Caseloads by benefit, thousands

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Outturn	Outturn	Outturn	Outturn	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Armed Forces Independence Payment				1	1	1	1	1	1	1	1
Attendance Allowance	1,782	1,756	1,710	1,641	1,617	1,605	1,623	1,645	1,668	1,703	1,767
of which in payment	1,619	1,597	1,553	1,490	1,462	1,458	1,470	1,479	1,496	1,525	1,584
of which entitlement without payment	163	160	158	151	155	147	153	165	172	178	183
Bereavement benefits	112	106	102	98	94	92	89	95	99	93	88
Carer's Allowance	1,004	1,032	1,056	1,071	1,108	1,172	1,230	1,287	1,336	1,368	1,392
of which in payment	553	584	618	653	699	762	816	870	917	952	977
of which entitlement without payment	451	448	438	418	409	410	414	417	419	417	414
Christmas Bonus	15,466	15,547	15,586	15,460	15,789	16,035	15,667	15,529	15,365	15,243	15,205
of which contributory	12,239	12,335	12,346	12,245	12,459	12,472	12,439	12,405	12,338	12,208	12,136
of which non-contributory	3,227	3,212	3,240	3,215	3,329	3,563	3,228	3,124	3,027	3,035	3,070
Council Tax Benefit	5,805	5,874	5,911								
Disability Living Allowance	3,205	3,253	3,307	3,307	3,214	3,014	2,579	1,907	1,304	1,114	1,085
of which in payment	3,177	3,224	3,278	3,277	3,185	2,987	2,557	1,891	1,294	1,107	1,078
of which entitlement without payment	28	29	29	30	30	27	23	16	10	8	8
Employment and Support Allowance	579	811	1,365	1,912	2,235	2,367	2,365	2,380	2,385	2,422	2,440
of which contributory only	199	262	364	492	507	484	439	425	415	408	400
of which contributory and income-based	38	59	103	180	248	327	383	378	365	354	344
of which income-based only	275	424	784	1,116	1,340	1,391	1,361	1,386	1,405	1,454	1,483
of which credits only	67	65	114	124	141	164	181	191	199	206	212
Housing Benefit	4,798	4,932	5,053	5,026	4,921	4,781	4,791	4,776	4,784	4,777	4,777

Incapacity Benefit	1,827	1,577	965	366	133	68	35	32	26	21	17
of which in payment	1,054	909	566	192	38	10	2	-	-	-	-
of which credits only	773	668	399	174	95	58	33	32	26	21	17
Income Support	1,803	1,619	1,254	939	799	706	639	557	534	536	543
Industrial Injuries benefits	334	330	324	326	320	313	308	302	296	289	282
Jobseeker's Allowance	1,415	1,515	1,507	1,273	898	740	705	762	802	815	823
of which contributory only	234	212	178	145	111	103	98	106	114	114	115
of which contributory and income-based	22	19	18	15	11	9	10	10	10	11	10
of which income-based only	1,069	1,208	1,242	1,045	723	580	555	600	628	639	648
of which credits only	91	77	69	68	53	47	43	47	50	52	51
Maternity Allowance	54	57	60	58	60	63	64	65	65	66	68
Over 75 TV Licences	4,236	4,277	4,316	4,414	4,493	4,429	4,491	4,601	4,732	4,867	-
Pension Credit	2,718	2,649	2,505	2,380	2,228	2,074	1,946	1,859	1,791	1,739	1,694
Personal Independence Payment				13	200	591	1,047	1,672	2,242	2,471	2,548
of which in payment				13	198	584	1,035	1,653	2,218	2,444	2,520
of which entitlement without payment				-	2	6	11	18	24	27	28
Severe Disablement Allowance	230	220	211	198	163	122	37	24	23	22	21
State Pension (includes contributory and non-contributory)	12,566	12,667	12,810	12,888	12,958	12,922	12,923	12,884	12,807	12,667	12,599
Statutory Maternity Pay	274	273	276	272	272	269	269	272	275	276	278
Winter Fuel Payments	12,783	12,686	12,683	12,585	12,467	12,260	12,097	11,837	11,574	11,404	11,279

ASSESSMENT OF MINIMUM INCOME SYSTEM

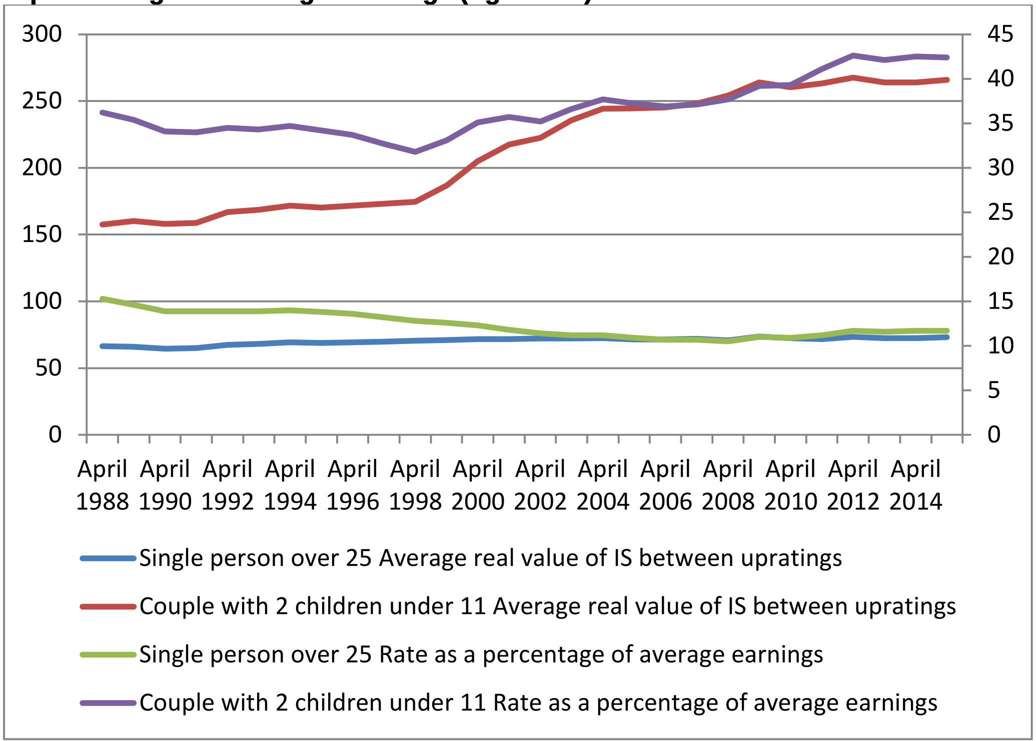
Adequacy

Adequacy is assessed using the following criteria: how do the benefit levels compare with earnings and prices over time; how do minimum incomes in work and out-of-work compare with a minimum income standard; how do minimum incomes in work and out-of-work compare with the at risk of poverty threshold; and how do minimum incomes out-of-work compare with minimum income in work – i.e. what are the notional replacement rates?

Over time

Benefit levels are set by Ministers and are not related to a minimum income standard. Until the 1980s they tended to be increased annually by more than the rate of inflation and had doubled in real terms since 1948 but maintained more or less the same level in comparison with earnings. Figure 1 shows that out-of-work benefits for couples with two children have improved in real terms since 1988 but have remained flat since 2008. As a percentage of average earnings they improved after 1998 but have been flat since 2011. The real value for a single person has been flat since 2004, and in comparison with average earnings it has been static. Since 2014 minimum income benefits have been frozen and will be frozen for a further three years. As a result these benefits will fall in value in real terms and as a percentage of average earnings.

Figure 1: Trends in the level of income support in real (CPI) terms (£ per week left axis) and as a percentage of average earnings (right axis)[40].



Minimum income standards

Another measure of adequacy is the gap between the Minimum Income Standard (MIS) and in-work and out-of-work incomes.[41] Table 5 shows that out-of-work benefit incomes are a

[40] Source: own analysis of https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/424148/abstract-of-statistics-2015.pdf

[41] MIS is a reference budget published annually by the University of Loughborough. It is the basis of the Living Wage calculated for civil society organisations, but it is not accepted officially by the government: https://www.jrf.org.uk/report/minimum-income-standard-uk-2015

long way short of the UK MIS, though much closer for pensioners than they are for families and single people. In addition, MIS is above the 60% median household disposable income poverty threshold, except for pensioners. The net disposable income of families with one earner working full time on the minimum wage does not meet the MIS budget (neither does it if there are two earners working full time on the minimum wage and needing to pay average childcare prices).

Table 5: Minimum Income Standard April 2015

	Single, Working	Pensioner couple	Couple, 2 children	Lone parent, 1
Benefit income (income support/pension credit as % of MIS)	40%	96%	57%	57%
MIS as % of 2012/13 median income AHC	81%	56%	82%	87%
	Single	Couple +2 children one earner no childcare	Couple +2 children two earners with childcare	Lone parent + I child with childcare
Net income on the national minimum wage as % MIS	70%	74%	84%	86%

Source: https://www.jrf.org.uk/report/minimum-income-standard-uk-2015

Hirsch has recently[42] produced estimates of the relationship between the Minimum Income Standard and in-work and out-of-work income for a lone parent with one child in 2010, 2015 and 2020. In both circumstances the shortfall has increased and despite the introduction of the national living wage is due to increase further see Table 6.

Table 6: % shortfall between the Minimum Income Standard and net income on the minimum income scheme. Lone parent plus one child.

	Out-of-work	Working 40 hours for minimum/national living wage
2010	-30%	-3%
2015	-43%	-14%
2020	-50%	-29%

Compared with the poverty threshold

Table 7 compares the out-of-work and in-work minimum incomes with the 2014/15 poverty threshold for the standard family types and data from Tables 1 and 2. The net income after housing costs in those tables is expressed as a percentage of the poverty thresholds here. None of the net incomes of the out-of-work families reach near the poverty threshold. If there is one person working full time on the minimum wage, only the lone parent reaches the poverty threshold (assuming for this purpose that the other adult in couples has no income).

Table 7: Minimum incomes compared with the poverty threshold (weekly)

	Single	Couple	Couple plus 2	Lone parent plus 1

[42] Hirsch, D. (2016) Inaugural lecture University of Loughborough 27 April 2016.

<60% median poverty threshold 2013/14	£141	£243	£340	£190
Out-of-work income as a percentage of the poverty threshold	49%	45%	83%	81%
In-work income as a percentage of the poverty threshold	92%	66%	95%	115%

Source: Own calculations

Replacement rates

Replacement rates are only a rather tangential indicator of adequacy. Some observers might be concerned if the incomes of people on out-of-work benefits get too close to net incomes in-work as this might reduce financial incentives to take up a job. This is not a problem in the UK, as illustrated in Table 8.

Table 8: Notional replacement rates

	Single	Couple	Couple plus 2	Lone parent plus 1
Net out-of-work income as a percentage of net in-work income	53%	68%	87%	69%

Source: Calculated from the data in Tables 1 and 2

A final indication of the pressures that families on minimum incomes may be under is the huge growth that has taken place in the use of food banks. The Trussell Trust, the largest food bank organiser, reported that 913,000 people got at least 3 days' emergency food in 2014 - an increase of 163% on the previous year.[43]

Coverage

It used to be thought that the UK had a comparatively comprehensive coverage in its minimum income schemes. The benefits were low but the safety net was secure. Of course it was never perfect. Yet means-tested benefits and tax credits are still not claimed by substantial proportions of those eligible (see next section). The high point was perhaps just before 1980. In that year the government abolished entitlement to social assistance for most 16-18 year olds, and began to uprate long-term benefits by price inflation only (or freeze them, in the case of child benefit). The level of the safety net began to lose touch with the changing living standards of those in employment. We have seen in Figure 1 what has happened since 1988.

The real damage has been done since 2010. The uprating of working age benefits by substantially less than inflation since 2010 and cuts made in tax credits have resulted in falling living standards. This was the first time that the real level of the safety net had fallen since unemployment assistance began in 1934. The Child Poverty Action Group[44] recently estimated that the failure to uprate child benefit by inflation since 2010/11 has meant it had lost over 15 per cent of its value over the parliament compared to its worth had it been uprated using the RPI. In practical terms, this means that a family with one child had lost £543 of support over the five years, and a two-child family had sustained losses of £900. The failure to uprate the child element of tax credits over the course of the last parliament had resulted in reducing the real value by 8.5 per cent. As a result, a family with one child will have lost £628 in the last five years, and a two-child family double this (£1256). This is one of the main reasons why the Equality and Human Rights Commission[45] found that the combined effects

[43] Interview: Adrian Curtis, *Poverty* 149, 2014, 11-4
[44] http://www.cpag.org.uk/sites/default/files/CPAG-Uprating-childrens-benefits-policy-note-Dec-14.pdf
[45] Reed, H. and Portes, J. (2014) *Cumulative Impact Assessment.* A research report by Landman Economics and the National Institute of Economic and Social Research for the Equality and Human Rights Commission. Research report 94.

of taxes and social security changes since 2010 had reduced the income of couples with children in the bottom income decile by 13%.

Out-of-work benefit income as a proportion of the Minimum Income Standard has fallen over time.[46] So low has JSA become that it appears that an increasing proportion of the population has just stopped claiming. Thus there has been a growing gap between the unemployment rate and the claiming rate – only some 47.5% of those registered as unemployed with the JobCentre are now claiming any form of JSA.[47] Some of these non-claimers will have run out of entitlement to contribution-based JSA and be ineligible for income-based JSA. Some will have been caught by the recent extension of waiting days before claims can be made. Others will have been affected by the increasingly harsh sanctions regime associated with the Work Programme and JSA more generally. There is case evidence that some unemployed people have drifted into part-time self-employed work supported by working tax credit in order to avoid oppressive sanctions.

Council tax benefit as a national scheme was rebated at the rate of 100% for those living on the safety net income. Council tax benefit was localised by the coalition government. Local authorities were left to administer their own schemes on 10% less money, with the obligation to protect pensioners. So, depending on which local authority area you live in, many non-pensioners on social assistance have had to pay some of the council tax out of their falling safety net minimum income. Those unable to pay it are being taken to court and fined, further undermining their living standards.[48]

In the past, those people on out-of-work minimum income benefits had 100% of their (reasonable levels of) rent, set by rent officers locally, met by housing benefit. The previous coalition government sought to contain this growth by, among other things, reducing local limits to private sector rent covered by housing benefit to the 30th percentile, introducing a general cap on the level of out-of-work benefits payable and, in the social housing sector, introducing a so-called 'bedroom tax'[49] which reduces housing benefit payable if a household in this sector has 'excess' room(s).

The consequences of these policies are that, whereas in the past housing benefit usually covered 100% of the rent of those on out-of-work benefits, many households are now paying part of their rent out of their basic benefit or income. The bedroom tax has affected 11.1% of all social tenancies. So far, 41% of tenants have paid the full amount; 39% have paid some; and 20% have paid none. To cope, 57% of claimants report cutting back on household essentials, borrowing the money from family or friends (26%) or running up debt.[50] As a result, the adequacy of the minimum income guarantee is being undermined. About 80% of private tenants on housing benefit are caught by the local rent limits, 10,000, mainly in London, by the benefit cap and over 500,000 tenants of social housing are paying the bedroom tax.

The imposition of benefit sanctions on larger numbers also results in more people living on reduced or low income. EU migrants have recently been the subjects of wave upon wave of regulatory change that has undermined the safety net for them (see the section on eligibility rules).

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http://www.equalityhumanrights.com/sites/default/files/publication_pdf/Cumulative%20Impact%20Assessment%20full%20report%2030-07-14.pdf
[46] https://www.jrf.org.uk/report/minimum-income-standard-uk-2015
[47] http://www.ons.gov.uk/ons/dcp171778_381416.pdf
[48] http://z2k.org/2014/09/council-tax-arrears-increase-most-in-areas-cutting-council-tax-support/
[49] The government calls this the abolition of the spare room subsidy.
[50] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/329948/rr882-evaluation-of-removal-of-the-spare-room-subsidy.pdf

Take-up
According to research undertaken by the New Policy Institute,[51] almost a third of eligible people in the UK in 2009-10 were not claiming the means-tested benefits they were entitled to.[52] Just over half of the estimated £10 billion unclaimed benefits could have been claimed by working age families. Despite service delivery reforms, take-up rates for most income-related benefits declined in the decade to 2009-10. Take-up of tax credits increased after 2003-04 but in 2011-12 HM Revenue & Customs still estimated that £3.29 billion in Working Tax Credit and £1.19 billion in Child Tax Credit went unclaimed.

They concluded that improving take-up of means-tested benefits by those in- and out-of-work would make a major contribution to poverty reduction. The increased income associated with greater take-up could also contribute to improvements in other outcomes, such as health, family well-being and employment participation and retention.

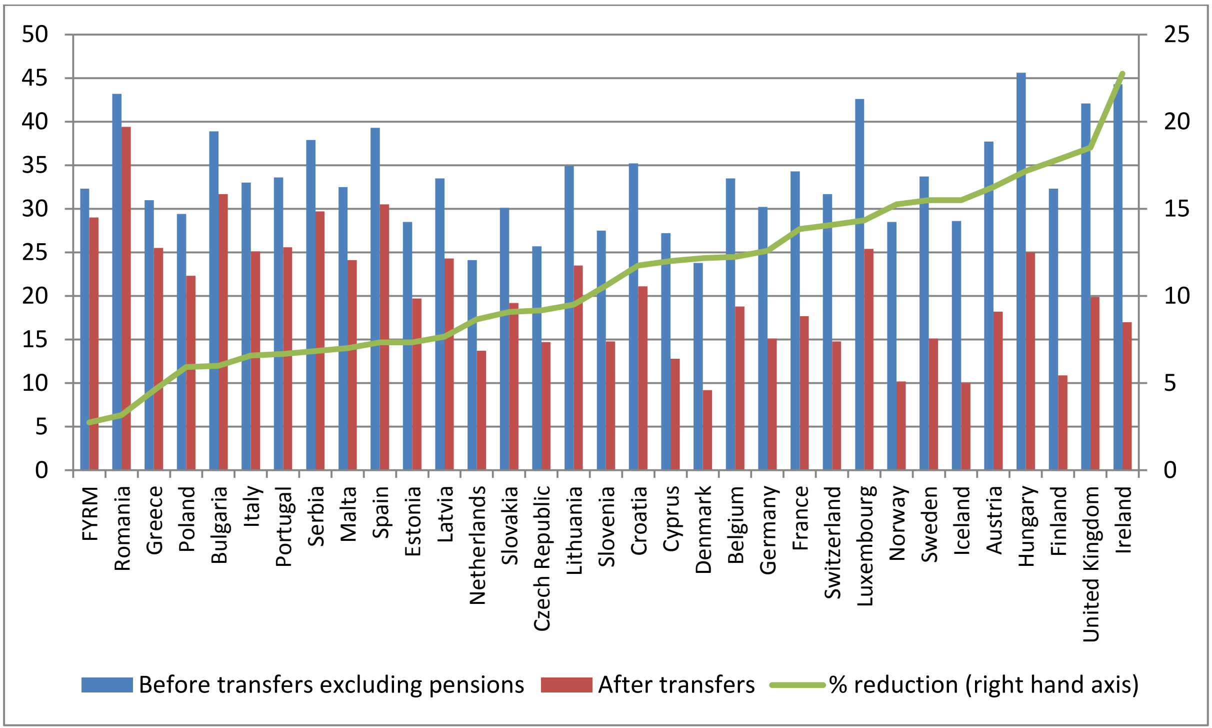
The study found that the most significant factor associated with non-take-up appears to be the level and accuracy of knowledge about an entitlement and its eligibility rules, linked with the perceived cash value of the benefit when compared to the effort involved in claiming and maintaining entitlement.

Pensioner poverty is mainly driven by the non-take-up of Pension Credit. If every pensioner eligible claimed Pension Credit, it would close a substantial proportion of the pensioner poverty gap and lift many above the at-risk-of-poverty threshold. Take-up is an enduring problem of means-tested benefits. Much effort was made to increase the take-up of Pension Credit both before and after it was introduced in 2003; but those efforts have had to be constrained due to the economic climate and the latest estimates are that more than a third of those eligible are failing to claim.[53] A report from the Joseph Rowntree Foundation sets out recommendations for increasing take-up.[54]

Impact
There have been a number of efforts to assess the impact of transfers on reducing poverty, mainly in the comparative literature.[55] These typically compare poverty rates before and after transfers. The transfers included do not just include minimum income schemes and it is difficult to distinguish between the contribution of minimum income schemes and other benefits using EU-SILC data[56] However, the reduction in poverty due to pensions and due to other transfers can be separated. It can be seen in Figure 2 that the UK system is comparatively successful in reducing pre-transfer child poverty.

[51] http://cesi.org.uk/publications/take-benefits-and-poverty-evidence-and-policy-review
[52] The official statistics on take-up for 2013/14 estimate case load take-up is 77-81% for IS/ESA, 55-61% for income based JSA and 78-82% for housing benefit.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/437501/ir-benefits-take-up-main-report-2013-14.pdf
[53] https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-201314
[54] Finn, D. and Goodship, J. (2014) *Take-up of benefits and poverty: an evidence and policy review*. www.cesi.org.uk/publications/take-benefits-and-poverty-evidence-and-policy-review
[55] Van Mechelen, N. and Bradshaw, J. (2013) 'Child benefit packages for working families, 1992-2009', in I. Marx & K. Nelson (eds.) *Minimum Income Protection in Flux,* Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 81-107
Bradshaw, J. and Chzhen, Y (2015) 'The outcome of the crisis for pensioners and children', *Belgisch tijdschrift voor Sociale Zekerheid*, 1, 37-49
http://socialsecurity.fgov.be/docs/nl/publicaties/btsz/2015/btsz-1-2015-bradshaw-chzhen-nl.pdf
[56] Bradshaw, J. and Huby, M. (2014) 'Decomposing child poverty reduction', *European Journal of Social Security*, 6, 1, 26-50.

Figure 2: Pre- and post-transfer child poverty rates 2014. Pensions excluded[57].



The same kind of analysis can be done on the same source to investigate the impact on poverty gaps.[58]

ACTIVATION

Currently an increasing range of groups of minimum income recipients receive active labour market policies support (and are also subject to increasingly harsh sanctions if they do not fulfil the conditions). New claimants receive help from Jobcentre Plus, part of the Department for Work and Pensions, though (as noted above) it is likely that many people fail to claim because the amount of benefit is so low, in particular for under-25s, and the conditions are now increasingly demanding.

Claimants sign a claimant commitment - originally due to be introduced under universal credit, but brought forward to apply to JSA claimants as well. The claimant commitment sets out what a claimant should do to look for work; how many hours a week they should look for work; and personal circumstances that could be relevant (e.g. caring). Refusal to sign a claimant commitment results in no benefit. For joint claims to universal credit, a partner's refusal to sign a claimant commitment means that the couple's claim cannot continue. Work coaches offer personalised support to enable a claimant prepare for work e.g. helping them draw up CVs etc. and therefore play a key role in developing jobseekers' self-efficacy.[59] The work coach ensures claimants keep to their claimant commitment and will only impose what is reasonable for a claimant. Universal Jobmatch is a new online service where claimants apply for jobs.

[57] Source: Own analysis of http://ec.europa.eu/eurostat/data/database
[58] Bradshaw, J. and Huby, M. (2014) 'Decomposing child poverty reduction', *European Journal of Social Security*, 6, 1, 26-50.
[59] http://webarchive.nationalarchives.gov.uk/20130128102031/http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep726.pdf

Significant extensions of conditionality in recent years have involved lone parents with children of younger ages, claimants of employment and support allowance, and partners in couples (currently childless partners, but in future under universal credit also partners with children, though the main carer will have easements of conditionality because of their caring responsibilities). Many of those who do not have to actively look for work have to show that they are making preparations to return. The distinction is thus not so much between people on different kinds of benefits (e.g. insurance versus social assistance) but between people in different groups. For example those on Universal Credit who have suffered a bereavement are not required to look for work for up to 6 months. Local authorities operate discretionary housing payments to compensate for cuts in minimum income schemes, and can impose their own conditionality arrangements.

The Work and Pensions Select Committee published a report into in-work progression under UC[60]. The report is overall positive – it welcomes that DWP are supporting claimants to increase their earnings and notes that this is the first time this has been done. Frank Field MP, Chair of the Committee said, "The in-work service promises progress in finally breaking the cycle of people getting stuck in low pay, low prospects employment. We congratulate the Government for developing this innovation. As far as we can tell, nothing like this has been tried anywhere else in the world. This is a very different kind of welfare, which will require developing a new kind of public servant." But it also raises concerns over sanctioning people are all already in work – noting that they are already motivated – and not sure if it is going to have much impact. Also it makes the point that staff need to have proper guidance, that sanctions for people in work should be used a lot less. The DWP responded "We are pleased that in their positive report the WPSC agrees it is right we help people on low incomes to earn more and move off benefits under Universal Credit. Conditionality is a long-standing part of the welfare system and we know it helps people into work. That is why we have included it as part of our trials looking at how best to support claimants to increase their earnings."

The activities that must be pursued in order to continue to receive support have tended to multiply, in particular for the long-term unemployed. This is especially true for the Work Programme (WP), in operation since 2011 - to which jobseekers are referred after 12 months of unemployment, or sometimes less. WP providers are paid for getting claimants into sustained employment (a shorter time for those more marginal to the labour market), though there is still concern about 'creaming' and 'parking' etc.;[61] they do not take decisions about benefits, though they do refer claimants to Jobcentre Plus to do so. They are paid in a 'black box' system,[62] i.e. by results rather than methods. It may be compulsory for some claimants to take up training, go on a work placement, spend up to 35 hours per week looking for work, or apply for a certain number of jobs each week. Evaluation suggests job search support is provided more often than training or work placements.[63] Performance statistics are published regularly,[64] though 'what works' may be commercially sensitive.[65] Performance varies across provider contracts,[66] but overall is seen as improving.[67] A report by the organisation Inclusion, commenting on September 2015 figures, says performance for those starting the WP in the

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[60] http://www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/549/549.pdf
[61] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388371/rr892-work-programme-participants-experience.pdf
[62] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/49884/the-work-programme.pdf
[63] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388371/rr892-work-programme-participants-experience.pdf
[64] http://www.cesi.org.uk/sites/default/files/response_downloads/WP_stats_briefing_SEPT14_MASTER.pdf
[65] A series of evaluations of the Work Programme were published in December 2014 and are available at https://www.gov.uk/government/collections/research-reports
[66] Information can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197710/rrep832.pdf
[67] Sainsbury, R. and Bradshaw J. (2015) *ESPN Thematic Report on Integrated Support for the Long-term Unemployed*, Brussels: European Commission; http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=30&langId=en&mode=advancedSubmit&advSearchKey=ESPNLTU

last two years has been higher, but for disabled and older participants remains far below overall levels. (Nearly 60% of disabled WP participants claim JSA;[68] analysis of how the WP works for people on ESA concluded that the government's initial performance assumptions were too high, and that WP providers were spending more on ESA claimants by cross-subsidising from other groups.)[69]

There is some concern that increased conditionality may drive people out of the benefits system, thus causing or exacerbating exclusion and marginality.[70] Concerns about the operation and impact of sanctions have also been expressed by the providers of the Work Programme[71] and the official Social Security Advisory Committee.[72] Analysis of sanctions suggest they play a role in increasing compliance with the requirements of WP contractors but have no impact on the likelihood of a client finding work.[73] In 2014, the DWP released figures showing that 58% of people seeking to overturn sanctions were successful - up from 20% before 2010.[74] The government commissioned a review, focused on communications, which suggested the system was not working well;[75] the Work and Pensions Select Committee called for a full independent review.[76] The government has not committed itself to doing this but has suggested that there should be a 'yellow card' system to give a claimant warning that a sanction is to be imposed. Increasing numbers of people are also being left without income because those who fail an assessment for employment and support allowance can claim again but cannot now be paid until after the new assessment (meant to be 13 weeks but taking longer in many cases).
The government is investigating ways of supporting people to progress in work, though it is not clear how the lessons from previous experiments in this area (such as the Job Retention and Advancement Demonstration Project) are being integrated. universal credit bridges the gap between worklessness and being in work, other instruments introduced with a similar aim (such as the Job Grant and housing benefit run-on) have been abolished.

A draft paper on the link between income support and activation for the European Commission by McKnight and Vaganay[77] characterises the UK as having a moderate and stable link (from 2007-13). It examines evaluations of activation interventions, often drawing on UK evidence. But the context and macro-economic and labour market conditions are also key, as is the coherence of any package, and delivery of policies. It may be most important to match policy to person.

It is difficult to separate out support from conditionality accompanying it ('services and sanctions'). But though this combination can increase exits from unemployment, it may lead to 'churning' between unemployment and precarious work (due to bad matching or lack of human capital enhancement); training and some wage subsidy programmes may have better longer-term outcomes. The UK is still characterised as having more 'work first' emphasis, even though it has a higher proportion of adults with low qualifications relative to

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[68] http://cesi.org.uk/responses/dwp-work-programme-how-it-performing-september-2015
[69] http://cesi.org.uk/publications/making-work-programme-work-esa-claimants-analysis-minimum-performance-levels-and-paymen
[70] Lindsay, C. *et al.* (2015) 'Introduction: new perspectives on health, disability, welfare and the labour market', *Social Policy and Administration* 49(2): 139-142.
[71] http://www.theguardian.com/society/patrick-butler-cuts-blog/2015/jan/08/benefit-sanctions-absurd-and-dont-work-mps-told-welfare
[72] http://www.theguardian.com/society/2015/jul/26/benefit-sanctions-review-urged-amid-concern-over-regimes-effectiveness
[73] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388371/rr892-work-programme-participants-experience.pdf
[74] http://www.theguardian.com/money/2015/oct/22/benefit-sanction-warning-period-to-be-trialled
[75] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335144/jsa-sanctions-independent-review.pdf
[76] http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news/benefit-sanctions-report/
[77] McKnight, A. & Vaganay, A. (forthcoming) *The Strength of the Link between Income Support and Activation*, London: LSE Enterprise in association with LSE CASE. (The report's focus is somewhat different.)

most OECD countries. Unemployed jobseekers with basic skills needs can be required to attend a 5-12 week mandatory training course.

Tax credits as part of minimum income schemes in the UK may also be seen as a form of wage/employment subsidies, not linked to specific job opportunities. (See below) A specific element is targeted at the disabled, who need to work fewer hours to qualify.

The use of the term 'dependency' is often linked to a view that long-term benefit claimants lose adherence to a work ethic and become accustomed to living on benefits. (The introduction of universal credit - and some rhetoric in relation to the forthcoming tax credits cuts - threatens to extend the implicit negative connotations of 'dependency' to those in work but claiming state help.)Other commentators prefer to use the term 'dependence' or 'benefit claiming' instead, therefore.

Hills[78] found that from 1997 to 2009 the average time someone remained unemployed was 5-6 months and long-term unemployment only started rising after the recession started (so by 2013 over a third had been out-of-work for more than a year). Fewer than half of those starting a claim for JSA (in April 2007, 2009 and 2011) stayed on it for longer than 2 months. Even in May 2013, half of current JSA claimants had been on it for less than 6 months, and the proportion on it for over 5 years was 3%. Long-term unemployment is less common in the UK than in most of the rest of the EU. In 2012, 3.3% of those aged 18-59 had received the main out-of-work benefits (excluding the long-term disability benefits) for over 3 years out of the 4 before; including these benefits the total is 8% (including some who are effectively retired).

One study deliberately investigated the idea of families who had never worked.[79] This is about long-term worklessness rather than long-term dependence on minimum income as such; but this does tend to be the main focus of concern in press and public debate, and the Office for National Statistics releases figures regularly on 'never-worked households', which in 2014 amounted to 226,000 (excluding students). The study found that 44% of these are lone parent households, 38% are single people, 47% are disabled, and 36% are from black and ethnic minority groups. 'Never worked' can cover a range of periods of time, and some people have just left education.

Another study attempted to find examples of the three-generation family with no one who has ever worked,[80] since these are regularly drawn on by politicians using 'welfare dependency' to justify tightening up on conditionality or sanctions. Researchers found in deprived neighbourhoods in Glasgow and Middlesbrough that worklessness was not the result of a 'culture of worklessness' passed down the generations. Instead, they found that even two generations of complete worklessness in the same family was very rare, and there was no evidence of a culture encouraging welfare dependency in the families they interviewed, with working-age children remaining strongly committed to working. Macmillan and Gregg, using three cohort studies, found 4% of households with more than one generation of working age had both generations out-of-work at once; but this is due to downturns in the economy.[81]

The earnings rules and marginal tax rates in the UK's minimum income schemes are described in the earlier part of this report. The situation prior to the Budgets in 2015 was analysed by the Institute for Fiscal Studies.[82] But the July 2015 Budget has changed this, in particular because of the introduction of similar work allowance for universal credit (reduced to zero for non-disabled childless households). This reduces the incentive to have someone in

[78] Hills, J. (2015) *Good Times Bad Times: The welfare myth of them and us*, Bristol: The Policy Press.
[79] https://www.jrf.org.uk/blog/rise-and-fall-never-worked-households
[80] https://www.jrf.org.uk/report/are-cultures-worklessness-passed-down-generations
[81] http://www.inequalitiesblog.wordpress.com
[82] http://www.ifs.org.uk/research_areas/116/126/127?year_published[start]=&year_published[end]=&page=1&

work. The cut to ESA for those in the work-related activity group reduces the incentive to get ESA instead of JSA but increases the incentive to get into the ESA support group (which has no work-related requirements).[83] Changing mortgage support to a loan for those out-of-work, and reducing social rents, could both be seen as increasing incentives; but charging 'market rents' for social housing tenants with incomes above £30,000/year (£40,000 in London) could be seen as an incentive to keep income below these thresholds. The government has argued that distributional analysis (which can include incentives issues) should take account of increased support for child care, and the NLW, as well as (the usual) tax/benefit changes. The NLW could result in lower hours/employment.

The coalition government argued that improving incentives to work was one reason for introducing universal credit. The government also emphasized the UC would remove the perverse incentives to take up temporary work and the rigidity of the hours thresholds for entitlement to tax credits (16 hours/week for certain groups) and extra income (30 hours). It also stressed the high effective marginal tax rates for those in work who earned more - though this only affects those who receive tax credits and housing/council tax benefit. These problems are meant to be addressed by universal credit (see Annex), which will reduce these high rates for many but will also increase them for many others DN: source?. The pros and cons of making very marginal jobs attractive to benefit claimants are also debated, with the government introducing in-work support and conditionality to counter any consequent problems.

CONCLUSION

What lessons for Spain might be learned from the experience of the UK? In social policy it is not easy to learn lessons from abroad especially when the observations are based on limited and out-of-date knowledge[84] of the Spanish system. So these observations will need to be revised in the light of increased knowledge gleaned as a result of the other work being undertaken as part of this project.

Also the employment situation in Spain and that UK are in very different places. Unemployment in the UK is currently 4.9% and the employment rate is 74.4%. Youth unemployment is only 13.5%. It makes a big difference to a social security system if there are jobs for all those who are capable of work – which is effectively the case in the UK and not in Spain.

Further the UK minimum income scheme is in the process of transition. Does Spain learn lessons from our existing scheme or the Universal Credit scheme which is now rapidly replacing it? This report has focussed on the old scheme (what the UK Government now calls 'legacy benefits') that majority of recipients are still claiming. This is because at the time of writing we really only know how UC is working for single people. It might be a high risk strategy for Spain to adopt UC before we know whether it can work for the majority. For more information about UC, the Spanish government may want to consult the reports from the peer review on Universal Credit organised by the European Commission which the UK DWP hosted in November/December 2015. The case of UC was used as a starting point for discussing the basic principles of benefit systems across Europe, including Spain's, in order to

[83] Presentations by Institute for Fiscal Studies on 9 July 2015 following the Budget on 8 July: http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/Hood_distributional_analysis.pdf
[84] Bradshaw, J. (2014) Pobreza y bienestar infantiles, *Panorama Social* 20, 2014,23-36. ISSN: 1699-6852. http://www.funcas.es/Publicaciones/Detalle.aspx?IdArt=21705
Chzhen, Y. and Bradshaw, J. (2012) Lone parents, poverty and policy in the European Union, *Journal of European Social Policy*, 22.5.

exchange information and share experiences between countries to help develop their policies. [85]

In Spain "Regional minimum income schemes (MIS) are social assistance programmes for low-income families that seek those families' social inclusion; they are a last resort for potentially active people excluded from the labour market."[86]

The first and most obvious observation from this is that Spain does not have, (nor possibly contemplates having), a scheme for working poor families. This is a reason why Spain has one of the lowest and least effective child transfer systems in the EU. It is one of the few countries in the EU that does not have a system of child benefits, or rather it has a very small income tested benefit for low paid families with children and a slightly higher child tax allowance for those earning enough to pay income tax. The existing system of child tax allowances is highly regressive and the transfers as a whole have very little impact on child poverty. It would surely provide a boost to incomes in work, and improve incentives to work, if Spain introduced a child benefit, possibly partly paid for by abolishing child tax allowances. Not having a child benefit for working parents is also probably a constraint on providing adequate benefits for out-out-of- work families with children. Figure 3 shows that for a minimum wage working family the benefit system contributes roughly 40% of net income, In Spain it is less than 5%.

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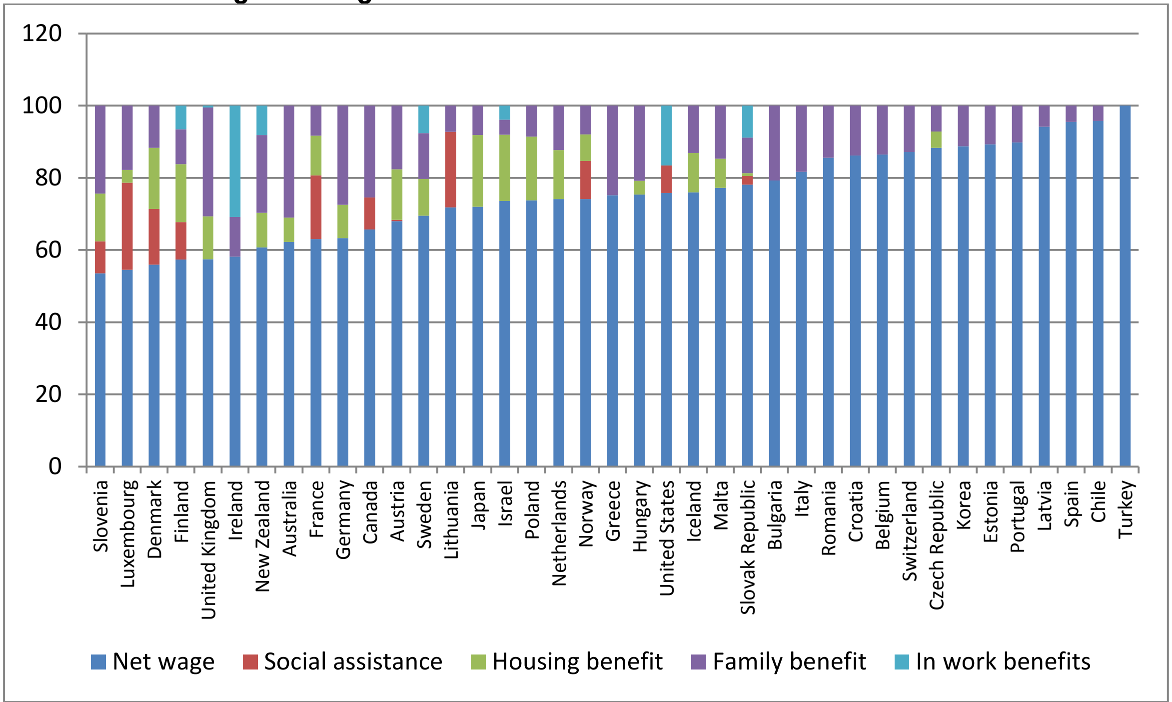
85 http://ec.europa.eu/social/main.jsp?catId=1070&langId=en&newsId=2302&moreDocuments=yes&tableName=news
In particular, there are
•Full Report Peer Review on 'Universal Credit' (2015) – paper produced by the European Commission Mutual Learning Programme following the two day Peer Review event. Makes some comparisons with Spain as well as other countries. Provides conclusions and key messages that were made following the event.
•Host Country Paper Peer Review on 'Universal Credit' UK (2015) - independent expert Richard Lloyd provides a neutral and comprehensive review of UC.
•Peer Review on 'Universal Credit' UK - Peer Country Comments Paper: Spain (2015) – paper produced by Luis Ayala for the UC Peer Review. Also describes similarities with the UK.

86 Gregorio Rodríguez-Cabrero (2015) ESPN Thematic Report on Minimum income Schemes in Spain http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=0&langId=en&mode=advancedSubmit&year=0&country=0&type=0&advSearchKey=ESPNmis

Figure 3: Contribution of wages and benefits to net disposable income couple plus 2 one earner 50% average earnings 2014 OECD Tax Ben

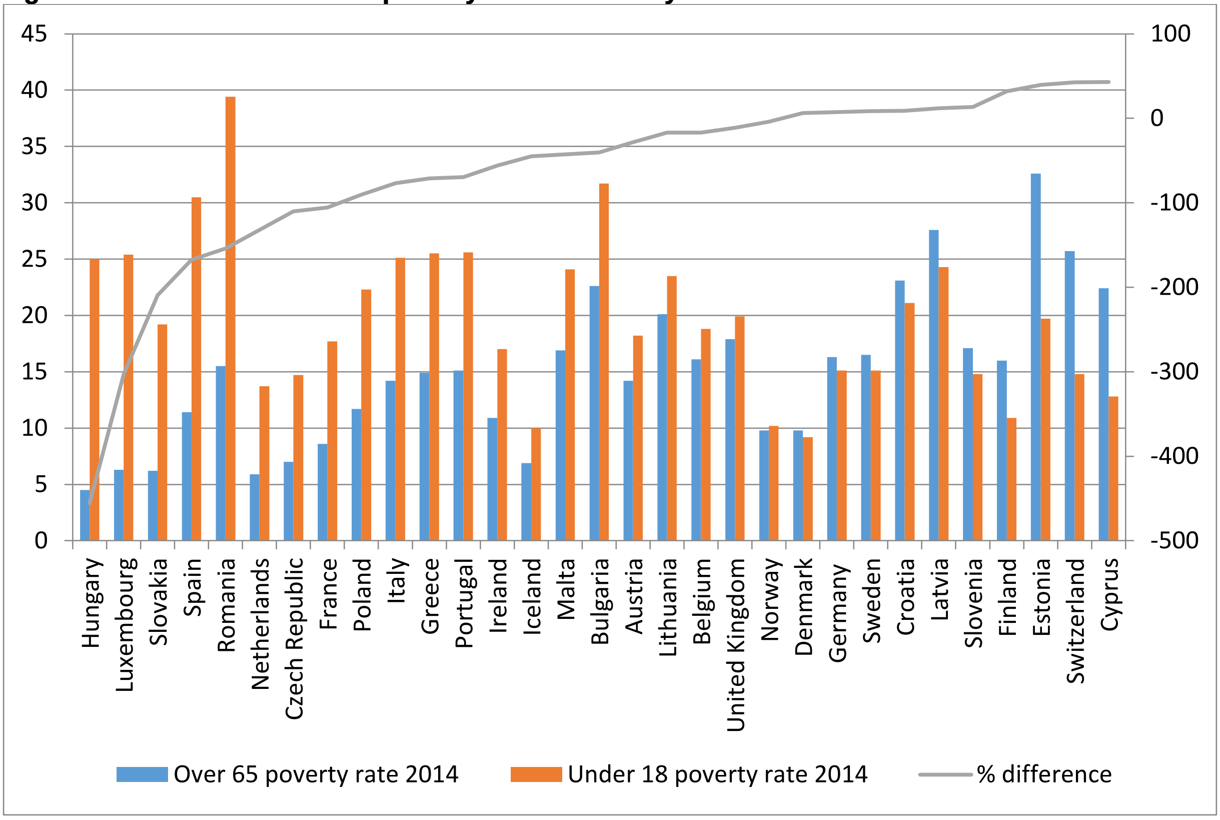


Own analysis

A related observation that emerges from the comparative data[87] is that Spain, like many EU countries, is more effective in reducing pensioner poverty than child poverty, and, like the UK, has become comparatively more effective since the recession. In fact pensions in Spain play quite an important part in reducing child poverty because of the prevalence of multi-unit households.

[87] Bradshaw, J. and Chzhen, Y (2015) The outcome of the crisis for pensioners and children, Belgisch tijdschrift voor Sociale Zekerheid, 1, 37-49
http://socialsecurity.fgov.be/docs/nl/publicaties/btsz/2015/btsz-1-2015-bradshaw-chzhen-nl.pdf

Figure 4: Pensioner and child poverty rate ranked by % difference



Own analysis of Eurostat data base

The other major difference between Spain and the UK is that in Spain Autonomous Communities have full responsibility for the regulation, planning, financing, implementation and evaluation of its schemes and they are run by Regional Social Services except in the Basque Region. Minimum income schemes in the UK have always aimed to be national schemes, run by central government and never part of local or regional government. However in the last few decades the UK Parliament has devolved more powers to Northern Ireland, Scotland and Wales. In the future the UK is likely to see a shift from central government in some areas, although it is too early to tell what the impact of this will be. Obviously if Spain wanted, or was able, to implement a national scheme, then the UK might provide a model. It is important to note that there are disadvantages to be acknowledged in a centralised scheme and from time to time there have been calls[88] in the UK to devolve more responsibility to local level. Indeed parts of the system have already been localised including the Social Fund, the administration of housing benefit and council tax benefits yet this has also led to criticisms that some of this is leading to a "postcode lottery".

As well as greater centralisation in the UK system, it is probable that there is much less scope for flexible, individualised discretion in the UK scheme. It is predominantly rule and rights based, even in the application of conditionality and therefore also more automated and IT driven.

Unlike most schemes in Spain, the UK legacy benefits system has a separate system of housing support in housing benefit, but, in the context of rising real rents efforts have been made recently to contain expenditure both in the social and private sectors.

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[88] Ditch, J., Bradshaw, J., Clasen, J., Huby, M. and Moodie, M. (1997) Comparative Social Assistance: Localisation and Discretion, Studies in Cash & Care, Ashgate: Aldershot