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Simplification, modernisation and social security

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Abstract
The topic of benefit simplification regularly returns to the policy agenda. A simpler system, easy to understand and to deliver, is a goal that everyone wants to reach. Simplification is both a political and an administrative issue and, although these two issues cannot be entirely separated, this article focuses on the administrative side. The first section discusses how the government's commitment to modernisation has, in various ways, focused attention on the need for simplification of benefits. The second section considers simplification from the three rather different perspectives of the DWP, the claimants of benefits and the public in general.

Introduction
The topic of benefit simplification regularly returns to the policy agenda. A simpler system, easy to understand and to deliver, is a goal that everyone wants to reach. However the social security system is, it can be argued, inherently complex. This is the case for three main reasons. First, social security has to meet a range of needs and circumstances, right across the whole lifecourse, sometimes providing recipients with their only source of income and sometimes making a contribution or top-up to other sources of income. Second, incremental change over time – responding to gaps in the system and to new needs or new pressures – adds to the complexity in a piecemeal sort of way. The impact of this change over time is substantially increased by the provision of transitional protection for those affected by reforms. Third, it is necessary to be able to verify claims – to be sure that those claiming are indeed entitled – and this means lots of information is required, not only about current needs (means tests) and current circumstances (for example, ability to work or not, family and household status) but also about past situations (contribution records).

So simplicity of itself may be an impossible goal. But the current system is extremely complex, as anyone working with it knows, and there must be scope for making the system simpler than it is at present. Simplification is both a political and an administrative issue and, although these two issues cannot be entirely separated, this article focuses n the administrative side. The first section looks at the factors that have put simplification back on to the policy agenda, and the second at simplification from the three rather different perspectives of the DWP, the claimants of benefits and the public in general. The focus here is on support for families and working-age people, leaving aside the rather different problems of complexity in pensions.

Policy drivers

There are a number of reasons why benefit simplification is again a live issue, and these can be directly related, in different ways, to the government's commitment to modernisation in both policy and delivery.

First, the Labour government has implemented major institutional changes intended to create an 'active' social security system, one that supports and encourages paid work for as many people as possible[1]1. The merger of the Benefits Agency and the Employment Service into Jobcentre Plus is at the centre of this. Jobcentre Plus is intended to provide an integrated service in which benefit claims and job search activities are much more closely linked than in the past. There are increasing requirements on wider groups of claimants to attend work-focused interviews, to participate in New Deal programmes, to take up training or work trials and to exit benefits for paid work as quickly as they possibly can (Bryson, 2003).

Making the integrated service work, in terms of both accurately assessing benefits and prioritising a work-focused approach, is very challenging in practice (Lissenberg and Marsh, 2003). Moreover, while there has been a significant investment on the job search side of the joint business, this has not been the case for the benefits processing side. The new Jobcentre Plus offices are well appointed and modern and offer claimants the opportunity to access a range of services. However, it could be argued that there has been less, not more, integration with benefits processing. The 'back office' in which the benefit processing work is carried out has not had the same level of investment as the 'front office', and the complexity of establishing eligibility for benefits and assessing entitlements creates significant pressures. Dan Finn has carried out a number of case studies of the impact of these institutional changes. He concludes that:

> … . the process of claiming benefits, and the complexity of the benefit system posed major challenges to the new system ... when the 'back office' and call centres got information wrong, or made incorrect assessments, administrative pressure was put on the 'front office'. Individuals would attend in person to try and resolve benefit problems or advisers had to take additional time to resolve benefit-related issues. There is a real danger that this may prove the 'Achilles heel' of Jobcentre Plus because poorly processed and assessed benefits will undermine the capacity of the 'front office'. Poor benefit administration may also bring the system into disrepute. (Finn, 2004, pp 3-4)

The Social Security Advisory Committee (SSAC) (2003, para 1.11) also notes that the complexity of the benefits system may also be acting as a barrier to the effective working of Jobcentre Plus:

> Ensuring that customers understand their responsibilities, and engage in activities that will bring them closer to the labour market, is a considerable communications challenge, not made easier when there are so many local

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[1] There are several good accounts of Labour's social security and welfare reform agenda, see, for example, the various contributors to Bennett (2002; 2004); Brewer et al (2002); Millar (2003). Balls et al (2004) sum up the reform agenda from the Treasury perspective.

variations of the service model. We feel that there must now be a case for some streamlining and convergence of the provisions across the working age client group. At the same time, the delivery of efficient, prompt and reliable financial support through the benefits system is as important a task as the agency's work-focused activity. The system remains often dauntingly complex, for staff and customers alike, and investment in sustaining and improving benefits performance must go hand-in-hand with the delivery of new work-focused programmes.

These points take on a greater urgency in the context of proposed reductions in DWP staffing levels and moves towards benefit processing work being increasingly centralised into fewer locations and delivered via call centres through the Jobcentre Plus Direct service. Over the next four years the DWP workforce will be reduced by about 30,000 people. By 2008 benefit processing will be centralised in 81 sites, with 37 sites due to close in the near future, and by 2006 there will be 23 contact or call centres in the Jobcentre Plus Direct network (DWP, 2004). These contact centres are intended to provide the initial point of contact for all benefit claimants, collecting information over the telephone in order to assess eligibility for benefits. The number of claims to be dealt with each year is huge – around 2.5 million each for Income Support and Jobseeker's Allowance and about 800,000 for incapacity benefits (DWP, 2003). The capacity of staff in call centres to assess benefit entitlement accurately and quickly is likely to be dependent on some simplification of the system. A recent report from the Citizens Advice Bureau (2004) on people's experiences of call centres in both the public and the private sectors shows that dealing with complex financial issues and details of personal circumstances over the telephone is far from easy. Thus benefit complexity undermines the drive towards the use of modern technology in benefit delivery, and also threatens the important policy goal of redirecting the system towards 'work for all'.

A second important driver for change concerns the 'fit' between the social security system and the modern world. The case for modernisation in this respect has been part of social security debate for some years (see, for example, the Commission on Social Justice, 1994) and was reflected in Labour's first welfare reform Green Paper in 1998 (DSS, 1998), as well as in the first of the HM Treasury papers on modernisation (HMT, 1997). The argument is well known and broadly agreed. Our social security system still owes much to the post-war Beveridge system that was designed for a very different sort of world. It reflected the values of the time, and the patterns of employment and family life of the immediate post-war period. The system is out of date and does not reflect how we live now.

Thus the social security system needs to be updated in order to reflect contemporary circumstances and to respond to contemporary needs. Simplification of the system is an essential part of this modernisation: to cut out those parts of the system that are no longer useful or necessary, and to replace these with provisions that are more dynamic and better able to respond to diversity and change. Here simplification refers, not necessarily to fewer benefits, but to a more coherent system of benefits, one which can both *protect* people from the consequences of adverse situations (for example, provide an income during periods of unemployment) and also *promote* exit (for example, by measures to help people make the transition to work) from those situations (Hills, 2001).

A key issue for current policy is how to support people through different transitions, both for individuals (for example, into paid work, from part-time to full-time jobs, into appropriate training) and for families (for example, from one to two earners, through family change). A number of measures have been introduced in recent years to help people make the transition to paid work, some as pilot or demonstration projects, including benefit run-ons, job grants, the personal adviser discretionary fund and time-limited 'return to work' payments (Bennett and Millar, this volume). Arguably these are themselves building up in what seems to be a rather ad hoc and piecemeal manner. There is scope here for more detailed thinking about what measures are needed to support the transition into work, for whom, and the basis on which people should have access to these.

There is also a case for more attention to be directed at a wider range of transitions, not just from 'out of work' to 'in work'. This implies a need for greater flexibility and more dynamism in the system, and a simpler system to deliver this. The introduction of the second generation of tax credits is another factor pushing towards simplification of social security benefits. The use of the tax system to deliver financial support to families and people in low-paid jobs raises yet again the issue of an integration of the tax and benefits systems. There have always been people who have argued that maintaining two separate systems – one to collect money in and the other to pay money out – is unnecessary and a cause of complexity (for example, Dilnot et al, 1994). The fact that the Inland Revenue is now responsible for paying money out through the tax credit system adds further ammunition to this point of view. This is further reinforced by the argument that having separate systems for workers and non-workers acts as a barrier to achieving the workfocused policy goals, and that a single system would be likely to make it easier for people to make transitions into employment. Full tax and benefit integration is, however, difficult to achieve in practice (Commission on Social Justice, 1994; McKay and Rowlingson, 1999).

But even without a complete integration, the design of tax credits provides an example of how means-tested social security benefits might be simplified. Means testing is a major source of complexity in social security. Although in theory means-tested benefits can be more or less detailed in the information required to assess eligibility and to work out entitlements, in the UK means testing has generally been used in order to determine people's needs very precisely and to reassess entitlement immediately that these needs change, with complex rules relating to the treatment of capital, disregards of some or part of different sources of income, the use of medical evidence, and so on.

The tax credits system, by contrast, was designed as a simpler, and less responsive, means test, which is described by the Treasury as a 'modern income test' (HMT, 2002, p 2). Income is mainly defined by post-tax earnings, and awards run for a tax year with some requirements to notify changes in circumstances but few requirements to notify changes in income, although people do have the option to seek a reassessment at any point during the period of award. Increases in income of up to £2,500 do not affect entitlement in the year in which they are received (Millar, 2003, outlines the key features). In theory, this should create a system that is much more automatic and much less intrusive than the means test for income support, for example. So far, however, this has proved rather difficult to achieve in practice, with early implementation affected by problems of incorrect and delayed assessments

(NAO, 2003; Howard, 2004). It remains to be seen whether the tax credit system can successfully deliver on the basis of a simpler means test, and so provide a model for other parts of the system.

Moreover, even if tax credits do work well, the extent to which the approach used – based on an annual assessment of income – could be applicable to benefits such as Income Support is open to question. Tax credits are able to be relatively non-responsive to changes in circumstances and income because they are not providing the only or main source of income to recipients – they are always top-ups to other income sources, either earnings or benefits out of work. Having benefits which are the main source of current income but which are based on income in the previous tax year would surely raise problems. Arguably, the more a benefit or a tax credit contributes to the total income, the more it has to be responsive to current circumstances. There are other options for simplifying means tests. In Australia, for example, the Reference Group on Welfare Reform (2000) has recommended that all benefits should have the same means-test rules on both income and capital, with a standard rate of payment and addons for additional needs, to cover the costs of children, single adult households, lone parenthood, childcare, housing costs above a specified level, disability and living in remote areas. Simpler means tests are undoubtedly possible, and much more could be done to achieve this. But trying to pursue a means-tested route to simplification seems rather paradoxical when we know that means-tested benefits are the most costly to administer, the most error prone and the most open to fraud.

Simplification for whom: three perspectives on simplification

We now turn from the factors driving towards a search for greater simplification to some of the issues that would have to be addressed in seeking simplification. Here it is important to recognise that the problems and issues that need to be tackled look rather different from different perspectives. From the point of view of the DWP, and the staff responsible for assessing benefits, the system is complex because of factors such as overlapping entitlements to more than one benefit, the existence of different benefits rates and premia, the need to collect lots of information to verify claims and the requirements to take account of transitional protection rules (which protect the rights of people to 'old' benefits that have later been abolished for new claimants). From the claimants' point of view the key problems seem to be understanding how eligibility and level of entitlement are determined, being able to easily make transitions in to and out of work, making sense of interactions between different benefits and fulfilling reporting requirements about changes in income and circumstances. And from the point of view of the general public, the complexity of the system contributes to a lack of clear messages about the aims and purposes of social security, and perhaps to a general feeling that the system is too unconditional and too open to abuse.

These different perspectives highlight different problems and therefore different types of solution. For example, a system that is:

- simple to administer – would mean fewer benefits and/or fewer rules;
- simple for applicants to access and understand – would require clear rules about eligibility requirements and about what information is required; and

- simple for everyone to understand – would require simple and clear messages about what the system is intended to achieve, and about the rights and responsibilities of claimants.

These goals are not necessarily compatible with each other. For example, a system that is simple to administer could be one with few rules and lots of discretion within it. But claimants may find such a system difficult to access and also fail to understand why they do, or do not, receive support. On the other hand, a system can be complex in administration (that is, relying on lots of rules, making very fine distinctions between different groups of people), but simple for claimants to comply with (for example, if there was a single integrated claim form), and with simple messages about rights and responsibilities.

In making trade-offs between these different perspectives, the important goal is to ensure that people can easily access the system when they are entitled and in need. This means that, as far as possible, complexity should fall on the system and not on the people seeking support. Thus the aim of simplification should be to create a system with low compliance costs for claimants. As the outgoing chair of the SSAC has pointed out:

> "Complexity ... characterises the entire benefits system.... There is an urgent need to accept the costs – and the occasional hard cases – that a radical simplification programme would require. The benefit would be a system that was comprehensible to its customers and manageable by its staff " (SSAC, 2004, para 10).

One final point. Discussions about simplification cannot be divorced from questions of benefit levels. Adequate benefits are important, not only to protect living standards and allow benefit recipients to participate in society, but also to reduce the number of different benefits that people need to claim. If there were no need for means-tested top-ups this would in itself be a significant source of simplification.

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