

## Z2K response to the Work and Pensions Select Committee inquiry into benefit levels

1. Z2K's vision is that no-one in the UK should be living in poverty. We provide advice, representation, and advocacy to support people in London to solve their social security and housing issues. Last year, we supported more than 1,000 people to access the support that they are entitled to, including more than £1.3m in financial benefit in 2022 alone. We believe that adequate income and secure housing are key to creating a fairer society where everyone has the chance to live with dignity.
2. This submission to the inquiry is based on insights from our casework and our extensive experience in supporting people in poverty. We use 'benefits' as shorthand for the working-age benefits the Committee is considering in this inquiry.

### **What 'essentials' should working-age benefits in the UK cover? Are current working-age benefit levels sufficient to cover those needs?**

3. Levels of working-age benefits are clearly not sufficient to enable people to meet even their basic needs. Our casework team see clients who are receiving the maximum they are entitled to in benefits, yet still can't heat their homes, pay their rent, or put food on the table.
4. Current levels of benefits in the UK guarantee poverty. In 2020/21, a single person needed £141 a week after housing costs to be above the poverty threshold.<sup>1</sup> Even after the recent uprating of benefits, they will receive £85 a week. Someone under 25 will receive just £67.
5. This situation has arisen because levels of benefits have never been set with any objective justification or clear policy goal, and because a series of freezes and cuts in recent years has seen their value erode further.
6. The poverty line is an obvious first bar for benefit levels to clear. But any measure that has attempted to calculate the value of a 'minimum' set of essentials, such as the Minimum Income Standard<sup>2</sup> or the proposed Essentials Guarantee<sup>3</sup>, finds the amount actually needed to live a decent life to be higher still.
7. Guaranteeing that benefits cover a particular set of things would be an improvement. However, it is important that 'essentials' is not conflated with 'basics'. The 'essentials' in life are not just food, shelter, and heating, but the wider set of things that enable people to participate meaningfully in society and live stable and dignified lives. This includes ensuring that people have the financial resilience to absorb unexpected shocks – not just that they can make ends meet if nothing goes wrong, because in real life things sometimes do.

### **Are additional components of benefits, such as Personal Independence Payments, sufficient to cover the costs they are intended to cover?**

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<sup>1</sup> <https://www.trustforlondon.org.uk/data/poverty-thresholds/>

<sup>2</sup> <https://www.jrf.org.uk/report/minimum-income-standard-uk-2022>

<sup>3</sup> <https://www.jrf.org.uk/report/guarantee-our-essentials>

8. As with standard components of working-age benefits, there is no objective justification of the levels of additional benefit components like Personal Independence Payment (PIP). The amount you are entitled to depends on how many points you score, which places you in one of six categories (two components, each with zero, Standard, and Enhanced rates). There is no real link to the costs someone actually incurs, and when someone's correct entitlement is provided, it may still not actually cover those extra costs.<sup>4</sup>
9. Additionally, if ill or disabled people are wrongly denied PIP then it cannot cover their costs. With government losing or conceding 80% of appeals (and countless other people being denied their entitlement but not appealing), this can't be separated from the adequacy of those benefits when they are being received.
10. We also find that our clients often have use their additional components of benefits, like PIP, to cover essentials rather than the extra costs of disability they are intended to cover, because of the low rates of basic benefit levels.

**What lessons can be learned in respect of benefits provision more generally from the £20 uplift to Universal Credit, introduced during the pandemic?**

11. One clear lesson is that Government policy can make a significant difference to people: it lifted 500,000 people out of poverty, including 200,000 children, who were sent back into poverty when the uplift ended<sup>5</sup>. However, despite the demonstrable positive impact this had on people who received the uplift, public support for keeping it<sup>6</sup>, and campaigns to keep it that Z2K was a proud member of, it was ultimately removed.
12. We also continue to be deeply disappointed in Government's continued refusal to provide this uplift to recipients of 'legacy benefits' such as Employment Support Allowance. This was a callous decision that showed no empathy for the millions of people who rely on those benefits, many of whom are seriously ill or disabled.

**What principles should inform the design and delivery of the working-age benefits system (e.g. fairness, transparency, inclusivity)?**

13. The social security system is not something that should be 'given to' those who rely on it – it should be developed alongside those who experience it. Meaningful involvement of people who rely on social security should be a foundational principle in the design and delivery of the benefits system. Government has been dismissive of proposals to engage with people with lived experience beyond a few roundtables and public consultations<sup>7</sup>. For as long as that is its approach, the benefits system will fail to fully meet people's needs.
14. Dignity, fairness, respect and inclusivity should be fundamental principles of the benefit system. Another is access to justice. If people cannot access their entitlements or support to challenge unjust decisions then the system will fail them. We would strongly urge the

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<sup>4</sup> <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag/>

<sup>5</sup> <https://www.jrf.org.uk/universal-credit-cut-impact-constituency>

<sup>6</sup> <https://www.health.org.uk/news-and-comment/news/majority-of-public-support-making-universal-credit-uplift-permanent>

<sup>7</sup> <https://www.gov.uk/government/publications/dwp-response-ssac-report-on-how-dwp-involves-disabled-people-when-developing-or-evaluating-programmes-that-affect-them>

Committee to recommend the immediate reinstatement of Legal Aid for challenges against benefit decisions, and the roll-out a financial package of locally-based independent advocacy for people applying for benefits or challenging a decision.

#### **What should be the purpose of working-age benefits?**

15. Working-age benefits have several purposes. One is to act as a barrier against poverty, and relatedly to ensure that people who are out of work for whatever reason can live dignified and stable lives. Meeting this purpose directly benefits people who find themselves out of work or on low incomes – but also provides reassurance to everyone else, in the same way the existence of the NHS provides reassurance to healthy people that support is available if something goes wrong.
16. They also compensate for additional costs people face due to health or disability, and provide additional support where there is a particular reason why someone is unable to work (such as their health, or caring responsibilities).
17. By ensuring people out of work have access to sufficient financial support, working-age benefits should provide an economic benefit to local communities where they spend that money – and give people who are able to the space to properly consider and take their next move into employment or training, rather than use their cognitive bandwidth struggling to make ends meet.

#### **What is the role of i) the benefit cap; ii) repayments; iii) sanctions on the adequacy of benefits?**

18. As we set out above, current benefit levels mean that even if someone receives their full allowance, they will very often be in poverty. The levels are already inadequate. Any policy that further reduces those benefit levels beyond this simply pushes people deeper into poverty.
19. The current benefit system has several such policies including those set out above, the two child limit, and the Bedroom Tax. These policies all explicitly break the link between need and receipt, which should be at the heart of a functioning system.
20. The Committee should also see Local Housing Allowance (LHA) as a part of this. Not only has it been frozen in cash terms since 2020, but it is not set with reference to actually-available rents on the market. It is set in relation to rents that are being paid, which may have very little relation to the rents available to someone looking to enter into a new private tenancy. These two issues combined mean that many people have to top up their rent from other elements of their benefits, and in practice this reduces the amount of money they have to live on after housing costs.
21. Even if the basic level of benefits was sufficient, if other policies can reduce this, or the interaction with other elements like LHA reduces the actual amount someone has to live on, the system will not be sufficient.

#### **What is the impact of No Recourse to Public Funds conditionality on benefit provision for affected households?**

22. We do not directly work with people with No Recourse to Public Funds (NRPF), but it is a deliberate hole in the social security system that by design leaves people either destitute, or in an extremely precarious situation where the loss of a job or a decline in health will have extreme consequences.

**What role could, or should, an independent body undertake in advising Government on benefit policy?**

23. We believe an independent body could play a valuable role in advising Government, particularly in ‘re-setting’ the current levels of benefits, provided it had meaningful engagement with people with lived experience. In January 2022, the Commission for Social Security published *The Plan*, a ground-breaking piece of work led by experts by experience.<sup>8</sup> This set out a series of proposals to fundamentally reform social security, produced by people with lived experience of the system. We would urge the Committee to look carefully at this plan, and the process by which it was developed.

**What impact do working-age benefits, such as Universal Credit, New Style Job Seeker’s Allowance and New Style Employment and Support Allowance, have on work incentives?**

24. Z2K has no comment to make, other than that the ‘starting level’ of benefits should not have an incentive function. There will always be people who are out of work but do not qualify for, or are not receiving, additional support for health conditions or disabilities. These people should be supported by the social security system, not ‘incentivised’ to do so by being prevented from living decently otherwise.

**What is the impact of policy interventions designed to incentivise work, such as sanctions, on the adequacy of support received by individuals—both monetarily, and in how they help individuals to find work?**

25. As set out elsewhere in this submission, incentivising work by providing people with an insufficient amount of money to live on – whether through sanctions, the Benefit Cap, or just basic levels of benefits – is simply cruel. It turns the social security system from a supportive and enabling system into a harsh and punitive one.
26. Sanctions are an especially pernicious example of this: they typically remove an individual’s entire Standard Allowance or equivalent: their ‘living money’. The only alternative is to challenge the decision (but you will still be without that money until the decision is overturned), or take out a repayable Hardship Payment – in which case you have just 60% of your original allowance to live on, and are now in debt to the Department.
27. These interventions are also likely to be counterproductive, for example by forcing people to take less productive jobs and trapping them in a cycle of low pay, or causing and exacerbating health problems. However, our fundamental objection is not about their effectiveness: even if they were proven to be effective in increasing employment, there would be no place in the benefits system for denying someone the money they need to live on.

**What role should contributory-based benefits play in the welfare system?**

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<sup>8</sup> <https://www.commissiononsocialsecurity.org/>

28. Whatever role contributory-based benefits have in the welfare system, it is important that their existence does not detract from the need to provide a sufficient level of support through non-contributory benefits, and do not create a fundamentally two-tier system that provides permanent greater support to someone who has never been able to work compared to someone who has.

**What aspects associated with the administration of benefits impact the adequacy of experience for claimants? What changes should be made to the administration of working-age benefits?**

29. Our report *Blunt, Bureaucratic and Broken*,<sup>9</sup> based on interviews with people with lived experience of the benefit system, set out multiple failings in the administration of Universal Credit.
30. Universal Credit sets default payment structures (monthly, per household, with rent paid to the claimant) based on DWP's view of payment structures of work. This is not actually the case for many jobs, particularly lower-paid jobs, which are often paid weekly or fortnightly. And there is even less justification for people who DWP itself accepts are not well enough to work to be paid 'as if' they were working. Additionally, members of a household may choose to operate separate bank accounts for a variety of reasons – but Universal Credit by default requires a single bank account to be nominated, which heightens the risk of economic abuse.
31. Exceptions to this payment structure, known as Alternative Payment Arrangements, can be made, but these have to be requested or identified as necessary by a Work Coach. At the start of a claim, a claimant should be asked how they would prefer to receive their benefits: how frequently, whether as a single household payment or a split payment, and whether they would like the Housing Element to be paid directly to their landlord. This would provide claimants with a measure of control over their benefits that DWP currently denies them.
32. The 'digital by default' nature of Universal Credit also causes significant problems, both in the initial application and the ongoing management of a claim, which could lead to missed opportunities or even sanctions. As one of our clients told us:
- "I'm no computer whizz and when I spoke to [a caseworker at Z2K] she was able to log in to it [his UC journal] and she brought things up on it that I'd never seen."
33. Finally, the five week wait within Universal Credit continues to put people in financial difficulty at the very start of their claim, despite ever-increasing calls for government to address it. We reiterate the call that we, countless other third sector organisations, and the Committee itself have made to government to remove this significant cause of hardship.
34. In relation to other benefits, there is a lack of safeguards and accountability within the disability benefit system, which increases the risk of someone 'falling out' of the system (for example by not returning a form when it is time for reassessment), and sharpens the consequences of poor decision-making. This is a design choice that creates additional risks

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<sup>9</sup> <https://www.z2k.org/wp-content/uploads/2021/01/Blunt-bureaucratic-and-broken-single-page.pdf>

for ill and disabled people, and fails to provide proper accountability for DWP to make the right decisions at the earliest stage possible.

**Are there any particular groups who have been 'left-behind' in the design of working-age benefits policy?**

35. There has been no change to the benefits system that we are aware of that has been developed through meaningful engagement with people with lived experience, and so to that extent all people who rely on benefits have been left behind, as their voices have been unheard.
36. We are also aware of particular groups, such as unpaid carers and people with NRPF status, who are particularly financially disadvantaged by the current design of working-age benefits.

**How effective is parliamentary scrutiny of benefits levels?**

37. Meaningful opportunities for Parliament to scrutinise benefit levels barely exist. We are aware of no substantial recent Parliamentary scrutiny of the 'underlying' levels of benefits, to which uprating is then applied, and hope this Inquiry is the start of a renewed focus. An independent commission, perhaps on the model of the Pensions Commission, would be very valuable in informing an active decision by Parliament on these underlying levels.
38. The process of uprating benefits also fails to allow meaningful scrutiny. Decisions are typically announced in the Autumn Statement, and then passed through secondary legislation. This does not allow for effective scrutiny in practice: as this legislation is passed through negative procedure there is no requirement for a vote, and in any case, any objection would risk any planned uprating being cancelled altogether, which makes a vote a very high-risk procedure where Parliament does not consider a proposed rise sufficient.
39. As long as the decision about uprating is made by Parliament each November, it will be subject to the prevailing political mood at the time, regardless of advice from an independent body (we note that Ministers routinely ignore the recommendations of the Social Security Advisory Committee). That creates uncertainty every year for people who rely on social security, and has in practice led to a series of freezes or below-inflation increases that has pushed the real value of working-age benefits to a 40-year low. The recent 10.1% increase was welcome, but it is astonishing that an increase in line with inflation during a cost of living crisis – not even a real-terms increase – had to be fought for.
40. We believe that minimum annual uprating of all working-age benefits should be written into law, as is currently the case for the State Pension and disability benefits such as Personal Independence Payment.

**What information should the Government publish to facilitate the effective scrutiny of benefit levels? How frequently should such information be published?**

41. Government should publish information that enables Parliamentarians and the public to understand the extent to which benefit levels fulfil the functions they are intended to. Much of this information is theoretically available, but requires considerable technical expertise to extract from large and complex datasets.

42. Other organisations are better-placed than Z2K to provide details here, but as an example, it would be helpful for Government to clearly set out the gap between the poverty line after housing costs and basic rates of working-age benefits for different household types, and between Local Housing Allowance and actual rents being paid for new tenancies in different areas.