Tall tales about welfare reform

BEN BAUMBERG, KATE BELL and DECLAN GAFFNEY tackle some of the most common welfare myths

Welfare reform is almost inevitably contentious. Answering the question of who should receive how much financial support relies on often competing conceptions of fairness, with rival views about who needs, and who deserves, our help, not to mention the most just and efficient way of providing it. These issues are worth debating – but the current debate is being conducted on shoddy terms. Myths and stereotypes abound. These serve not only to unfairly stigmatise claimants, but to obscure the questions we might want to answer about how best the state can provide support to people who need it.

MYTH There is a major problem of 'families where generations have never worked'

Reality: The academics Paul Gregg and Lindsay MacMillan looked at the Labour Force Survey, the large-scale survey of households from which we get most of our statistics about who's in work. In households with two or more generations of working age, there were only 0.3 per cent where neither generation had ever worked. In a third of these, the member of the younger generation had been out of work for less than a year.

When they looked at longer-term data, they found that only 1 per cent of sons in the families they tracked had never worked by the time they were 29. What's more, while sons whose fathers had experienced unemployment were more likely to be unemployed, this only applied where there were few jobs in the local labour market. So 'inter-generational worklessness' is much more likely to be explained by a lack of jobs than a lack of a 'work ethic'.

MYTH Most benefits spending goes to unemployed people of working age

Reality: The largest element of social security expenditure (42 per cent) goes to pensioners. Housing benefit accounts for 20 per cent per cent (and about one fifth of these claimants are in work); 15 per cent goes on children, through child benefit and child tax credit; 8 per cent on disability living allowance, which helps disabled people (both in and out of work) with extra costs; 4 per cent on employment and support allowance to those who cannot work due to sickness or disability; 4 per cent on income support, mainly for single parents, carers and some disabled people; 3 per cent on jobseeker's allowance; and 2 per cent on carer's allowance and maternity pay, leaving 3 per cent on other benefits.

MYTH Benefit fraud is high and increasing

Reality: The latest Department for Work and Pensions estimates show that in 2011/12 just 0.7 per cent of benefit expenditure was overpaid due to fraud, including a 2.8 per cent fraud rate for jobseeker's allowance and a mere 0.3 per cent for incapacity benefits. Even if we put together fraud with 'customer error' – people who are not entitled to benefits but not deliberately defrauding the state – the rate of false claims is 3.4 per cent for JSA and 1.2 per cent for incapacity benefit.

The claim that benefit fraud is increasing is similarly false. Because there have been changes in how fraud has been calculated over time, we have to look at combined fraud and 'customer error' for JSA and income support. This declined from 9.4 per cent to 4.8 per cent of spending from 1997/98 to 2004/05, and has since stayed roughly flat.

MYTH Couples on benefits are better off if they split up

Reality: This one has recently been comprehensively disproved by research from the Joseph Rowntree Foundation, who concluded: 'The simplest question that can be asked in testing the couple penalty is: does the benefits system provide a different proportion of a family's daily living needs if they live together and if they live apart? The clear answer from the calculations in this paper is no. The benefits system provides very similar living standards to families living together and apart.'

Research in 2009 for the Department for Work and Pensions looked at whether different benefit systems had any impact on

people's decisions about whether to stay together or not. They concluded that 'on balance, the reviewed literature shows that there is no consistent and robust evidence to support claims that the welfare system has a significant impact upon family structure'.

MYTH The welfare bill has ballooned out of control

Reality: The government has repeatedly claimed that welfare expenditure grew unsustainably under Labour. In fact, total expenditure on welfare was 11.6 per cent of GDP in 1996/97; under Labour it averaged 10.7 per cent up to the crash. Afterwards benefits for children and working age adults rose from an average 4.9 per cent of GDP up to 2007/08 to 6 per cent. This is what you would expect during a recession.

MYTH Most benefit claims are long term

Reality: The government persistently frames benefit claimants as 'languishing in dependency'. So how much of the benefit caseload is long-term? It depends whether you count people at a single point in time or look at people moving on and off benefits over a period. The numbers paint a completely different picture. For example, in 2008, some 75 per cent of incapacity benefit claimants had been receiving the benefit for more than five years, and only 13 per cent for less than one year. But over the period 2003–8, only 37 per cent were long-term while 38 per cent were on benefit for less than a year. So if you count claimants at just one point in time, as government tends to do, you will overestimate how much of the caseload is long-term – and underestimate how many people move on and off benefits over time.

MYTH Social security benefits are too generous

Reality: Out of work benefit levels fall well below income standards based on detailed research into what ordinary people think should go into a minimum household budget. Research by the Joseph Rowntree Foundation found that while pensioners do in fact receive 100 per cent of what people think they need, a single adult of working age receives 40 per cent of the weekly minimum income standard and a couple with two children receives 62 per cent of the weekly minimum.

MYTH Most people who claim disability benefits could be working

Reality: There are two main kinds of disability benefits: disability living allowance (to cover the extra costs of disability) and employment and support allowance (income replacement for those not in employment). The most basic misunderstanding is that the latter is only for people who are 'completely incapable of work'. The welfare reformer Sidney Webb commented in 1914 – in the midst of one of many previous panics about 'true disability' – that the only people who could do no work at all were 'literally unconscious or asleep'. The question is whether suitable jobs exist, and whether these people would be able to get them.

Once we understand this, three problems face us. First, just because we're living longer doesn't mean we're in better health; improved medical care means that many people born with impairments or suffering traumatic injuries are able to live longer. Second, jobs are in some ways worse than in the early 1990s: people have to work harder and have less control over their job, which makes it more difficult for people with health problems to stay in work. And while we now have anti-discrimination legislation, this only forces employers to make 'reasonable' adjustments; the evidence not only suggests these are often limited, but that employers are less willing to employ disabled people as a result.

Finally, many of the people claiming incapacity benefits are people with low employability in areas of few jobs. These are the very employers that are less likely to make adjustments. Some people end up in a situation where they are not fit enough to do the the jobs they can get, but can't get the jobs they can do.

Completely incapable of work? Not necessarily. Penalised for their disability by a labour market that has no place for them? Definitely. ■

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