



Neil Bateman

Expertise in welfare rights and social policy

Martin Harvey
Chief Executive
The MacFarlane Trust

9 December 2008

Dear Martin

PROPOSED WELFARE POLICY

I thought it would be helpful to write and set out some thoughts about the proposed Welfare Policy.

I think the proposed policy is very complicated and this is inevitable when one drafts a means test onto another means test – which is effectively what is happening here.

Another problem is that no recognition appears to have been made for the costs of children and the costs of taking paid employment. This can create quite severe poverty traps.

Having stepped payments, creates poverty traps at each step. So for example, somebody with a net income of £14,001 per year is £150 worse off than someone whose annual income is £2 less.

The proposed policy is also quite difficult even for an expert to understand so it might cause difficulties in relationships with registrants.

To avoid these problems, a lot of other means tests (for example fairer charging for social care services) attempt to replicate the means testing principles used in the Social Security system. The way this would work in practise might be something as follows:

- (a) A higher rate of regular payment of £420 per calendar month is payable to anyone who receives a recognised "Low Income" benefit. These would be:

Income Support, Income Based Jobseekers Allowance, Income Related Employment and Support Allowance, guarantee credit of Pension Credit, the maximum rate of Child Tax Credit, maximum Housing Benefit and maximum Council Tax Benefit.

- (b) Certain income would be ignored. These would include:

Disability Living Allowance, Attendance Allowance, £90 per week if a person is in paid employment, and payments from other charitable or Trust sources.

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An allowance would also be made to include any rent or Council Tax Benefit not covered by Housing and Council Tax Benefit and also mortgage interest payments and service charges.

Any remaining ("excess") income after the above deductions would then be multiplied by 36% and the resulting sum deducted from the maximum payment. This is known as a tapering calculation and it mirrors that used for tax credits. The taper means that as income rises, the payment is reduced by 36% of the surplus income.

I hope this proposal is clear. If you have any queries, please feel free to ring. I would also be very happy if you wish to come up and see me in Ipswich to talk through the ideas in more detail.

All being well, I will see you on Friday 19 December 2008.

With best wishes.

Yours sincerely

GRO-C

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