



The **Methodist** Church



Baptist Union
of Great Britain
Encouraging Missionary Disciples

Frequently Asked Questions on the proposed cap on benefits

In brief:

- The cap is wrong because it doesn't recognise that some families will have needs over £26,000.
- The cap is wrong because benefits should be based on a household's needs rather than an arbitrary limit
- Any single family will not earn more money on out of work benefits than they could earn from working and claiming in work benefits.
- The cap will not cut the overall government budget and will cost local councils and communities more money.
- Reducing families' benefits won't help them get into work; providing additional support will.

Why do so many Christians oppose the Government's plan for capping benefits at £26,000?

The government's proposed benefit cap will hit many of the most vulnerable people in society. It will affect 220,000 children (75% of those affected) and 14,740 families where Employment and Support Allowance (a disability benefit) is the main household income. It threatens to make over 80,000 children homeless and will push 133,000 children into poverty or further into poverty. By definition, a couple with four children will be below the poverty line if they have less than £26,000. Methodist, Baptist and United Reformed churches are committed to fighting poverty and inequality and this policy directly contributes to both.

The plans as they currently stand also present a large incentive for a couple to split up. Due to the cap being by household if a couple were to split up they could claim their full entitlement in two separate households. This would also allow them to live in the same area and not force their children to change schools. If they did this it would also massively increase the cost to the taxpayer because housing benefit would be paying for two rents instead of one.

Why do some Christians oppose a benefit cap on principle?

We support the two founding principles of the welfare state, that what people receive should be based upon contribution and need. Capping the benefit system presents an arbitrary limit on how much a family could need which has no relation to the circumstances of the family.

It would also be almost impossible to find a non-arbitrary way of capping household benefit. Whilst average earnings of a family in work may seem to be a morally meaningful cap, it poses several further questions. Should it be the median household earnings (the middle number if all the earnings

are listed in order), or the mean household earnings (the amount you get from adding up all household earnings and dividing them by the number of households earning)? Which particular type of statistical average holds that moral significance? The Government have chosen the smaller number of £26,000 (the median) a year rather than the possible £31,000 (the mean). However, if they had chosen a £31,000 cap it would still raise several issues. There are families which could legitimately need more than £31,000 to live on. For example a family with multiple severely disabled people who require regular care from a specialist unit that is in central London, requiring them to pay high London rents, would be eligible for significantly over £31,000 in benefits if caps were not in place. We believe that the amount of benefit a person receives should reflect the individual's circumstances and a benefit cap, no matter what level it is set at, stops that from happening.

I've worked hard and raised my own kids on less than £26,000, so why should someone who has not worked get more?

The Church support a welfare system that supports work because work is what is best for families. The Church does not only say that from a financial perspective but because we feel constructive work adds to people's lives and gives them a dignity which we all wish to have. Sadly many people cannot find work and that number is increasing - not through personal deficiency but because there is a poor labour market at the moment. Benefits do not provide a reasonable standard of living for most recipients. The families in the category that are affected by the cap are almost universally living in a high rent area (mostly London but some other inner cities) so most of the money goes straight to a landlord. Living in a high rent area is not a choice for many people and sadly a high rent area does not mean good quality accommodation - these are the areas with the highest overcrowding, and poorest housing stock.

Family commitments, children's schooling and work all mean that people often cannot move. In addition it may be practically impossible to move house. Many lettings agents refuse to take people on housing benefit, and even if you find a place you need to get a deposit and a month's rent lined up before you move, something that is often too much for people without savings or disposable income. To move before this money is found is to make yourself intentionally homeless and therefore not be eligible for any benefit or housing assistance for your family. Benefits should be sufficient to meet a family's needs and that these should be assessed on a case by case basis. Sometimes those needs may be greater than £500 a week.

Why should people work when they can earn more on benefits?

This question makes a false distinction between people who are in work and people who receive benefits. The majority of people that receive some amount of benefits are in work already. Those who work can receive tax credits as well as other benefits such as housing benefit if they have a low level of income. This distinction between being in work and out of work will be further blurred by the government's introduction of Universal Credit which will be claimed by people both in and out of work. Under the rules of Universal Credit a family's benefits are reduced by 35p for every £1 they earn at work meaning that a family will always be at least 65p better off for every £1 earned. For example a couple with two children, £10,000 savings and £80 rent would get £313.30 a week in benefits if neither of them were working. If one of them was to earn £400 per week then they would

still receive £104 extra in benefits, giving them £504 in total income. This means that regardless of any benefit cap any one family will always be better off in work than outside of work – principle we support wholeheartedly.

How can we justify giving people more than £26,000 when we a massive deficit?

Whilst the benefit cap is estimated to save the Department of Work and Pensions £620 million in its first two years, a large amount of this won't go towards paying down the deficit. A leaked government letter showed that at one point the government estimated that, due to the cost of temporary accommodation and the rehousing of people who had been forced out of their homes by the cap, the policy would have a net cost to the government. Whilst the government has tried to distance itself from these estimates, they have yet to produce a new estimate of the cost or savings of the policy, and when questioned on the subject in the House of Lords, the Minister for Welfare reform said that the policy was not aimed at reducing costs but was instead about altering behaviour.

There are also additional hidden costs in the benefit cap. For example, by reducing people's housing benefit this policy will give social housing landlords massive rent arrears and force them to spend huge amounts of money on evictions. If this leads to social landlords going out of business then there will be an even greater increase in the housing benefit bill as people are forced to live in more expensive private rented accommodation.

Won't capping people's benefits provide them with more of a reason to go out and work?

Two thirds of adults affected by the cap live in circumstances where the Department of Work and Pensions does not expect or require them to be immediately available for work. Caring responsibilities as well as serious illness or disability means that for these people immediate employment is not a realistic possibility. For the remaining adults there are multiple reasons why getting a job is becoming increasingly difficult.

The evidence to support the idea that cutting people's benefits will make even the remaining third more likely to work is sketchy at best. The idea is based on the belief that people are happy living on benefits, they are not trying hard to find employment and that by making them financially more uncomfortable they will be able to go out and find employment. While it is possible to find to anecdotes justify this negative view of claimants, systematic evidence shows benefit recipients to be unhappy and struggling on their income levels. The evidence is clear that the main reasons people remain on benefit are around not finding suitable jobs or training as well as the demoralisation that comes with long term poverty and repeated rejection.

Lack of money for transport or clothes for interview are simple but common problems. Schemes that have instead focused on providing additional personal advice and support to claimants as well as providing funds for transport or clothing have proved to be huge success saving the taxpayer much more than they cost to run. For example the Employment Retention and Advancement government pilot saved £1,800 per long term unemployed person helped or £4.01 for every £1 spent on helping the long term unemployed back into work.

Put simply, trust and encouragement appears to be more effective than punishment and criticism.

Benefit Capping is popular, why?

The impression of people on welfare that can be gleaned from the media is negative and unrepresentative. People on welfare have few advocates to articulate their case and even fewer lawyers to enforce corrections.

Much of the tone of the debate around welfare reform has encouraged the working poor to blame the workless poor for their struggles. Rising unemployment, the deficit and flat economic performance are not the fault of the workless poor, nor will capping benefits solve these problems – but it has been portrayed as a legitimate response. Minimising the struggles of the workless, implying a high standard of living where there is none, and trivialising the problems of homelessness have further polluted the debate.

If the question was asked “Should all people who are obeying the rules and trying their best to support their family receive enough to meet their basic needs?” it is our belief that the overwhelming answer would be yes.

A benefit cap assumes that there are no families in the UK with needs of over £26,000 – that is clearly not the case.