

class

Centre for Labour
and Social Studies

The benefit bill
is high because
of cheats

Benefits are far
too generous

Spending on benefits
is out of control



Exposing the **myths** of welfare

red
pepper

Produced in association with

Acknowledgements

This booklet is the start of a series of myth busters from Class and Red Pepper.

We would like to thank Ben Baumberg, Kate Bell and Declan Gaffney for sharing their research with us, much of which was first published in their Turn2Us report for Elizabeth Finn Care (see page 15 for details). Any errors or omissions in the text or data can not be attributed to them.

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Foreword



By Hilary
Wainwright

We are facing government policies of such inhumanity that if they are allowed to be carried through, we will look back in years to come with deep horror and shame. From the attacks on disability benefits to the bedroom tax, these measures return us to the kind of society where poverty was blamed on the poor and gross inequality was accepted as an economic inevitability.

Britain once had a welfare system to be proud of (for all its shortcomings) and it did not come easily. Our welfare state was born from centuries of struggle, culminating in a post-war deal to appease the millions who, through the war, had come to realise their own worth and capacities.

The children of this generation of heroes pushed in the 1960s and 70s for the full realisation of these post-war aspirations; for democracy in the workplace, the family, the universities and indeed every sphere of life.

But at the same time, an increasing section of the ruling class, championed by Margaret Thatcher, broke with the post-war compromise.

Thatcher and her coterie were determined to destroy the welfare state. At that time they did not quite succeed, but they began the process and they forged the ideological weapons. New Labour refined them to further weaken the defences of the social security state. Now the Conservatives, aided by the abject Liberal Democrats, have turned the crisis of the financial markets into a crisis of public spending. They have used this as an excuse to systematically shatter what remains of the welfare state – in other words to finish the destruction begun by Margaret Thatcher.

So how, not even 70 years on from 1945, are they getting away with it? Why are they so rarely challenged when they say that taxing the richest is impossible, but cutting the living standards of the poorest is just being realistic?

This is the importance of the 'myth'. Milton in his great defence of free speech and a free press urged the importance of debate and argument declaring that 'argument is knowledge in the making'. By contrast, deference to power, or at least to office and the trappings of power, leads to the making of myths.

Exposing the Myths of Welfare

The crushing of protest in the parties that founded the welfare state, the marginalising of anyone who argues, has over the past thirty years or so created a stagnant political culture in which myths can thrive like algae, poisoning the surrounding environment.

Those in power can spew out, almost unchallenged, a constant polluting flow of misinformation about the deficit being caused by runaway welfare spending – the most brazen lie that the public becomes inured to through repetition. This allows the government to plead economic necessity for rolling back the welfare state, a project that in reality it has been just waiting to complete.

It is often said that you can judge a society on how it treats its weakest member, and in that respect the current government have blood on their hands.

What kind of society is it that allows a million young people to struggle on the dole, squandering their potential and their creativity, instead of spending the money on putting them into meaningful work – and then blames them for the increase in the benefits budget?

What kind of society is it where bankers take home telephone-number bonuses and live in 20-bedroom mansions while people living in poverty with spare bedrooms are told they need to pay more or move to smaller homes?

What kind of society is it where disabled

people are called in for crude, tick-box tests to prove that they're 'really' disabled, then found fit for work only to die a few months later?

We urgently need to overturn this by forcefully challenging the myths that poison any attempts at progressive change today.

We have already seen, with Occupy and UK Uncut, some of the ways that this can be done – how the stagnant water can be stirred up and the algae removed. The importance of these new kinds of political initiative is that not only were they shouting clearly 'No' but also through their practice they have been creating democratic alternatives to this ruthless assault – platforms outside our closed political system.

This pamphlet is produced in the spirit of Milton's call to promote argument and debate to arrive at truth. It reasserts the principle of social security as a universal right. It exposes the tall tales used to disguise the ideological dogma of government attempts to replace our welfare state with US-style residual 'relief' for the poor.

Please use it to remove the poison and create a political environment in which alternatives can be nourished and a renewed welfare state created of which we can once again be proud.

Hilary Wainwright

Myth 1: There are generations of workless, work-shy families

Reality:

The idea that there are generations of families who would rather ‘sit at home with the curtains drawn’ and claim benefits simply doesn’t stack up. Studies of the Labour Force Survey (the large survey of households from which we get most of our statistics about who’s in work) found that in households with two or more generations of working age, there were only **0.3%**¹

where neither generation had worked. The majority of these households included children who had only come out of education within the last five years and in a third of these households, the member of the younger generation had been out of work for less than a year.

0.3%

of households have two or more generations that have not worked

The research was unable to uncover evidence of a culture of worklessness among families. The key conclusion, therefore, is that politicians and policy-makers need to abandon theories – and policies flowing from them – that see worklessness as primarily the outcome of a culture of worklessness, held in families and passed down the generations.

Shildrick et al, Joseph Rowntree Foundation Report on Worklessness (JRF, 2012)²

When the studies looked at longer-term data, they found only 1% of sons in the families they tracked had never worked by the time they were 29. While sons whose fathers had experienced unemployment were more likely to be unemployed, this was found to only be the case in areas where there were few jobs. So generations of workless families is much more likely to be explained by a lack of jobs than a lack of a ‘work ethic’.

Myth 2: Benefits are too generous

Reality:

We are constantly told that benefits are a lifestyle choice. The idea that people are better off on benefits rather than in work is overwhelmingly untrue: for the vast majority of families, taking a paid job would leave them significantly better off than receiving benefits. For example in 2010:



Source: DWP tax benefit model 2010 edition³

a single adult receives

40%

of the income thought
to be the minimum
acceptable to live on

Detailed research into what ordinary people think should go into a minimum household budget showed that actual out of work benefits are no way near as generous as some politicians would have you believe – and are actually well below the minimum level.

Research by the Joseph Rowntree Foundation⁴ found that while pensioners do receive 100% of what people

think they need, a single adult of working age receives 40% of the weekly minimum and a couple with two children receives 62% of the weekly minimum.

Myth 3: Spending on benefits is out of control

Reality:

Before the recession, spending on benefits was in the longest period of stability since the introduction of the welfare state. Over most of the post-war period total spending increased and there were big fluctuations following the recessions of the early 80s, 90s and 2008/9⁵.

Benefit spending in 2011-12 accounted for 10.4% of GDP, lower than in the mid-1980s (11%) and mid-1990s (12%).

However, the long-term trend in increased spending came to an end in the 1990's, after which spending was stable right up until the financial crisis. Of course spending has grown since 2008/9 as unemployment and underemployment have increased: but this is exactly what you would expect to happen during an economic downturn.

In fact, benefit spending in 2011-12 accounted for 10.4% of GDP, lower than the mid-1980s (11%) and in the mid-1990s (12%)⁶.

Myth 4: The benefit bill is high because of cheats and fraudsters

Reality:

In 2011/12 just 0.7%⁷ or £1bn of the benefit bill was overpaid due to fraud - compared to £70bn lost through illegal tax evasion⁸.

This includes a 2.8% fraud rate for Jobseeker's Allowance and a tiny 0.3% for Incapacity Benefit⁷. 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% for Jobseeker's Allowance and 1.2% for Incapacity Benefit .

Myth 5: Universal benefits are expensive and inefficient

Reality:

Universal benefits are incredibly efficient and require much less administration than selective benefits. Selectivity and means-testing separates benefit recipients from the rest of society, increasing stigmatisation and reducing take-up⁹. Societies with strong universal welfare states top league tables on virtually every possible measure of social and economic success¹⁰.



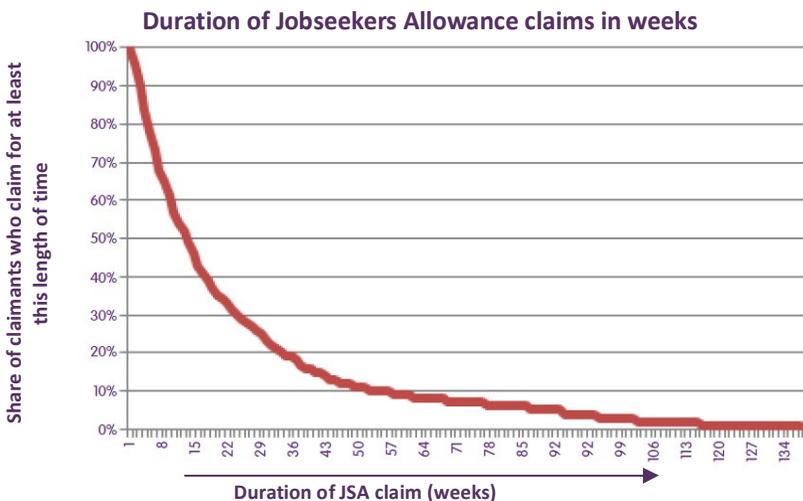
Myth 6: Most claimants are sitting at home on benefits for years

Reality:

Benefit claims are most likely to be short-term - less than half of Jobseeker's Allowance claimants claim the benefit for more than 13 weeks, and **less than 10% claim for more than a year**¹¹.

<10%
of JSA claimants
claim for more
than a year

Incapacity Benefit has the longest claim duration but between 2003 and 2008 nearly 50% were claiming for 2 years or less, while 63% were for less than 5 years¹¹. These figures include a significant proportion of people with severe long-term disabilities - the stereotype of the long-term undeserving benefit claimant is much exaggerated.



Source: Data from DWP/Ministry of Justice¹² graph reproduced from Elizabeth Finn Care Report¹³

Myth 7: Many people choose to claim disability benefits rather than work

Reality:

There are two main kinds of disability benefits:

Disability Living Allowance - to cover the extra costs of disability - and Employment and Support Allowance

(ESA) - income replacement for those not working. The most basic

misunderstanding is that ESA is only for people who are completely incapable of work.

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

But the question is really about whether suitable jobs exist and whether disabled people are able to get them. Jobs today are in many 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. 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.

The question is really about whether suitable jobs exist and whether disabled people are able to get them.

Many of the people claiming disability benefits are people with low employability in areas of few jobs. These are the very employers that are less likely to make adjustments in the workplace. Some people end up in a situation where they are not fit enough to do 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.

Myth 8: Most benefit spending goes on the unemployed

Reality:

The biggest part of social security spending - **53%** - actually goes to pensioners¹³. Overall, out-of-work benefits account for under a quarter of all welfare spending. Even excluding pensioners' benefits, nearly half of welfare spending goes on benefits such as Disability Living Allowance, which helps disabled people (both in and out of work) with extra costs; Child Benefit and Tax Credits to working families; and Statutory Maternity Pay.

53%

**of social security
spending goes to
pensioners**

Cuts to the social security budget are having a huge impact, and will continue to have an even bigger impact on those **in work**, especially the poorest¹⁴. Low wages and rising costs such as transport and childcare will make this even more of a problem.

Myth 9: The number of people claiming out-of-work benefits is increasing year on year

Reality:

The bill for out-of-work benefits has been going down for years and is half a million lower now than in the aftermath of the last recession. In 1995, two years after the peak of the last recession, 17% of people aged 16-64 were claiming an out-of-work benefit; by 2008, this was 11% and the 2008 recession only increased this to 12%.

Myth 10: We are spending vast amounts on huge families with hordes of children

Reality:

Families with more than five children account for 1% of out-of-work benefit claims. 91% of benefit claiming households have three or fewer children, and 99% have five or fewer. Large households with ten or more children are a staple of tabloid shock stories but according to the DWP there are only 180 such households claiming benefits in the whole of Britain¹⁵.



Source: DWP Freedom of Information request 2012-3222 graph reproduced from Elizabeth Finn Care Report¹³

Myth 11: The benefits system encourages couples to split up

Reality:

There is no evidence to show that benefits have any impact on people's decisions about whether to stay together or not. Research in 2009 for the Department for Work and Pensions concluded that "there is no consistent and robust evidence to support claims that the welfare system has a significant impact upon family structure"¹⁶. This was also found to be the case in a recent report by the Joseph Rowntree Foundation¹⁷.

Myth 12: Work is always the best route out of poverty

Reality:

Low pay is a significant cause of poverty in this country - a fifth of British workers are paid less than the living wage¹⁸. The national minimum wage is now worth less in real terms than it was in 2004. The majority of children and working-age adults in poverty in the UK live in working, not workless, households. That's 6.1 million people – 2 million children and 4.1 million adults - a million more people than are living in poverty in workless households¹⁹.

In the UK 6.1 million people live in poverty in working households.

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Centre for Labour
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Class

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Red Pepper Magazine

Red Pepper is a bi-monthly magazine and website of left politics and culture. Red Pepper seek to be a space for debate on the left, a resource for movements for social justice, and a home for anyone who wants to see a world based on equality, meaningful democracy and freedom.

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