Towards an early action social security system

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Introduction

At its best the social security system ameliorates and prevents socio-economic insecurity and promotes opportunity. However its current approach is too focused on short-term goals to do this successfully. It compensates for failures elsewhere without addressing underlying issues, and does not empower those who use it.

Our primary research shows how its short-term approach is passed on to people: undermining resilience and leaving many in a precarious 'survival mode', with significantly reduced capability to focus on the long-term and seize opportunities. These fundamental problems point to the need for a recapturing of the original purpose of the social security system.

Ultimately the system should take a longer-term approach, and should enable rather than constrict. It should focus on investment in people: in individuals, in communities, and in the whole of society. By both re-stating the principles of our social security system and changing the spending rules we can move towards this approach.

The social security system

The social security system as it currently stands is dysfunctional, though not in the way portrayed by popular narratives of 'scroungers' and 'waste'. It focuses excessively on the short-term, seeking solutions to immediate crises rather than addressing their underlying causal factors. The success of jobcentres is measured by benefit off-flow rates rather than getting people into quality work; insufficient levels of housing benefits force people to move away from supportive social networks and job opportunities; and the salami slicing of benefit eligibility – such as 1% uprating and increasing waiting times for benefits – ignores longer-term impacts in the name of immediate savings. The social security system acts too late, pays too little to live on, stigmatises receipt and erodes confidence (Horowitz, 2014), thus reducing people's ability to deal with setbacks and seize opportunities.

The system also compensates for failures elsewhere, applying sticking plasters rather than tackling underlying problems early. Tax credits under the Coalition Government are estimated to have been £5 billion higher than predicted in 2010, as endemic levels of low paying jobs have been left unaddressed. The housing benefit bill is set to double in less than a decade, a short-term and expensive response to the housing crisis.

Community Links' longitudinal research into the impacts of welfare reform in Newham, East London, illustrates how the short-termism of the current system and of the various recent benefit changes is forced upon, and reflected in, the behaviour of front-line staff and claimants. Sometimes this is explicit – for example the Benefit Cap incentivises movement into any job, regardless of its quality and sustainability. However much of it is also implicit. By narrowly focusing on short-term goals, welfare reform 'is forcing people into survival mode' leaving individuals and families 'to deal with incredibly stressful situations day-to-day and unable to focus on the longer-term' (Roberts et al., 2014).

Take Diana, for example, who 'used to love going to work' as a school cook and cleaner, but was forced to stop due to illness. Affected by multiple changes, her income fell drastically and she was pushed into £2,000 of rent arrears. Consequently she had to skip meals, exacerbating both her diabetes and depression:

> 'I know it sounds stupid but I'm past the stage of caring … I just don't feel secure at all … I feel like I'm just living here week-by-week … I can't see no hope, there's nothing to look forward to.'

This sense of despondency and inability to look forward to positive changes were common themes in our research. People come to fear, rather than hope for, change: 'I worry when the postman comes because I think, oh god, another letter is coming too'. Other respondents said they were 'just about surviving' day-by-day and 'robbing Peter to pay Paul' – moving costs around without being able to take longer-term steps to improve. The negative knock-on impacts on people's mental and physical health and more broadly on their social relations are clear: 'I'm in more stress ... I'm shouting too much at my wife because I just can't afford everything. It's very hard'.

Developments over the past few years follow a concerning trajectory. Firstly austerity, itself a quick fix to a long term problem, demands immediate cuts to both cash transfers and support services that are an integral part of social security. Secondly, increased conditionality – soon to be extended to people in work – further shifts responsibility from structures to individuals and is backed by harsh sanctions. Finally, reduced eligibility and increased means-testing result in much hardship, damaging well-being and putting additional costs on other services.

All of these trends continue to move costs around rather than addressing long-term problems. Perhaps the clearest example from the current reform programme are the Discretionary Housing Payments (DHP) offered to people affected by the bedroom tax or benefit cap. These do not offer a long term solution, even if for many they are the only way to survive. Many of our respondents relied on DHP to make up for shortfalls caused by drastic falls to their income, but a lack of understanding and support meant that few were enabled to make long-term changes to their situation.

The current approach is unsustainable. It erodes resilience and undermines readiness, preventing people from thriving and thus maintaining demand within the system. It also causes knock-on costs elsewhere in public services and reduces people's ability to contribute to society and the economy. Even in terms of cutting costs the reforms have failed, saving just £2.5 billion of an expected £19 billion (Hood, 2014).

Acting earlier for social security

We need to recapture an approach to social security that is not just about surviving, but about empowering people to thrive. One which makes people both able to deal with setbacks ('resilience') and ready to seize opportunities ('readiness').

Many – from diverse political perspectives – would support such a vision, but it has been lost from our current social security system. The continued focus on short-term thinking and the notion that social security is a 'bill' to be 'cut' act as barriers to realising it. The Early Action Task Force has set out principles that would underpin an *early action approach to social security* (Horowitz, 2014). Presuming the willingness of people in the system rather than starting from a point of suspicion should encourage people to want to engage early. Valuing relationships would enable the people who are best placed to understand their own situation have more say over how to improve it. Valuing ways in which people contribute to society beyond work can strengthen the supportive informal support that helps people to thrive.

These principles would be crucial to a social security system that acts early, preventing crises from escalating rather than dealing with consequences. Acting early means ensuring that support is available as soon as problems begin to arise, rather than only when they become crises. More than that, it means breaking down the barriers that mean services support people with one issue – like finding work – without consideration of other issues, like their health or their ability to look after their children. Fundamentally, acting early in the social security system means investing in people, and seeing spending on people – on their housing, childcare, employment and public health – as just that: investment. This would improve outcomes for individuals, reduce demand on the social security system and therefore, in the long run, save public money.

Long-term investment in people

However, existing rules for spending within government entrench the bias towards short-term thinking and institutional silos. Short-term budgets and the split of Annually Managed Expenditure (AME, managed by the Treasury) and Departmental Expenditure Limits (DEL, managed by departments) mean there is nothing to incentivise departments to invest in programmes which reduce costs further down the line. This makes it very difficult to invest now in order to save money in the future, or to invest in one area of spend to make savings in another.

Fortunately there are a number of responses to these problems with the spending rules. Firstly, we can **plan for the longer term** by setting firm five year budgets that are reviewed on a rolling basis every three years and which include a further five year impact assessment so that the future costs of inaction and positive value of social investments are clear. In the realm of social security, the recently-passed welfare cap presents particular barriers to long-term investment – instead creating a crude incentive for governments to cut spending in the immediate term. Because the cap operates year-by-year on the DWP AME budget, the only policy response that brings spending within the cap is to cut the DWP's AME budget within that year (rather than invest upfront or elsewhere to bring down future costs). The welfare cap should be reformed so that it discourages counterproductive reductions in entitlements and incentivises action that reduces demand in the longer term.

Secondly, we could **treat early action spend like capital spending** to aid the transition towards more preventative services. Like capital spending, social spending should be seen as an investment in the future and classified as such on government balance sheets. This would involve a 'one-way' valve that allows acute spending to be redirected towards early action social investment, but not the other way around. Without this mechanism investment in prevention can only be sourced from cuts elsewhere, which is self-defeating.

Thirdly, we need to **better understand the impact on spending now and in the future.** DWP has large potential to achieve savings from investments in other sectors like health or education. Treasury should begin by mapping the major linkages between the AME and DEL budgets: areas where spending decisions in one area are likely to have a significant effect on another; this would act as a starting point from which to concentrate further analysis. The Treasury should also ensure guidance from its Green Book, which aims to ensure policies' future impacts are assessed, is followed: officials admit this process is currently given cursory attention in most cases.

Conclusion

The endemic short-termism of the current social security system traps us in a cycle in which heightened insecurity and undermined readiness result in poor individual and systemic outcomes, to which the response is the introduction of further insecurity. The role of the social security system – in preventing socio-economic insecurity and promoting opportunity – is too important to be lost to such an unsustainable cycle. As spending continues to rise, human potential continues to be wasted and as such contributions become limited; change is inevitable. It must be led by the question: how could the social security system act earlier?

References

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