

# Passported Benefits under Universal Credit

## ***Inclusion* response to the Social Security Advisory Committee call for evidence**

1. *Inclusion* welcomes the opportunity to respond to the call for evidence for the review of Passported Benefits, looking at possible approaches to the provision of passported benefits under Universal Credit. *Inclusion* is the UK's leading not-for-profit company dedicated to tackling disadvantage and promoting social inclusion in the labour market
2. We support the Government's commitment to reforming the benefits system to increase work incentives and to 'make work pay' through the Universal Credit. *Inclusion's* research shows that the possibility of losing passported benefits does have some an impact on work incentives and needs careful consideration if the aims of the Universal Credit are to be met.
3. This consultation response relates to the following questions in the call for evidence:
  - Do passported benefits influence the decisions people take about moving into work? Please give your reasons for believing this and provide any evidence that you have.
  - Do passported benefits affect the decisions people take about staying in work? Please give your reasons for believing this and provide any evidence that you have.
  - What, in your view, are the key issues that need to be considered in the design of passported benefits under Universal Credit, and why? Do these key issues differ for different types of passported benefit? If so, please give details.
  - Can you please provide us with details of any research or other evidence, including case studies and specific examples, relevant to our enquiry?

Question 3b(i) Do passported benefits influence the decisions people take about *moving into work*? Please give your reasons for believing this and provide any evidence that you have.

4. Evidence from research with lone parents carried out by *Inclusion* for the Department for Work and Pensions (DWP) suggests that passported benefits do influence the decisions of some lone parents moving into work. Some lone parents interviewed as part of the evaluation of lone parent obligations were concerned that they would not be better off in work due to the extra costs of prescriptions, dentists, opticians and school meals for their children. This was despite having Better Off Calculations which showed they would be better off in work. However, Better Off Calculations do not take into account the loss of passported benefits. Some lone parents had previous experience of work where they had found that they were not much better off in work compared with being on benefits after other expenses had been taken into account such as paying back debt and expenses such as children's school meals (Gloster, et. al, 2010, p.107).
5. The loss of passported benefits did not prevent the majority of lone parents wanting to move off benefits and into work. However, it was a concern for some and impacted on their perceptions of whether or not they were likely to be financially better off in work compared with being on benefits.

For further information please see:

Gloster, R., Casebourne, J., Culshaw, S., Mavra, L., O'Donnell, A., and Purvis, P. *'Lone Parent Obligations: early findings of implementation as well as experiences of the Income Support and Jobseekers regimes'* (2010) DWP Research Report 645.

<http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep645.pdf>

Question 3b (ii) Do passported benefits affect the decisions people take about *staying in work*? Please give your reasons for believing this and provide any evidence that you have.

6. The loss of passported benefits is a barrier for some lone parents to remaining in work, even if it is not the sole cause of them moving back onto benefits. *Inclusion's* research found that lone parents who had moved into work generally felt better off than when they were on benefits. However, they did not always feel as 'better off' as their previous Better Off In Work calculation had suggested. Some felt only marginally better off and some felt

that they were financially worse off in work compared with being on benefits. Those who felt only marginally better off or worse of explained that this was due to the extra costs of being in work, such as travel to work, lunches and no longer receiving passported benefits, for example children's free school meals (Sims, et al, 2011 p.27; Casebourne et. al, 2010, p.86).

7. A key issue with passported benefits under the current system is that the loss of them is not taken into consideration when Jobcentre Plus staff calculate 'Better off in work calculations' for people on benefits thinking about moving into work. Therefore, once the person is in work they find they have extra costs which makes budgeting and staying in work more difficult.
8. Some lone parents in receipt of In Work Credit use this money to pay for their children's lunches and additional work related costs. Therefore if In Work Credit is withdrawn under Universal Credit, staying in work will be more difficult for some lone parents.

For further information please see:

Casebourne, J., Davies, M., Foster, S., Lane, P., Purvis, A and Whitehurst, D. '*Lone Parent Obligations: destinations of lone parents after Income Support eligibility ends*' (2010) DWP research report 710.

<http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep710.pdf>

Sims, L., Casebourne, J., Bell, L. And Davies, M. '*Supporting lone parents' journey off benefits and into work: a qualitative evaluation of the role of In Work Credit*' (2010) DWP Research Report 712.

Question 4: What, in your view, are the key issues that need to be considered in the design of passported benefits under Universal Credit, and why? Do these key issues differ for different types of passported benefit? If so, please give details.

9. *Inclusion's* research shows that there are key issues that must be considered in the design of passported benefits within Universal Credit. As shown in our response to question 3b, the current system of passported benefits acts as a work disincentive for some people on benefits.
10. One option to overcome this problem would be to monetise passported benefits and to include them within Universal Credit. However, there are several difficulties that would cause. For example, our research has shown that when people make the transition into work some find it difficult to

manage their budgets.<sup>1</sup> It is likely that a tapered system of monetised budgets would make these difficulties greater. In addition, eligibility for free school meals currently operates as a proxy marker for low income and is used by other departments, in particular the Department for Education, in the operation of policies such as the Pupil Premium. Overcoming these issues on a pan-departmental level must be taken into account if passported benefits were to be monetised and incorporated within Universal Credit.

Question 10: Can you please provide us with details of any research or other evidence, including case studies and specific examples, relevant to our enquiry?

11. The Department for Work and Pensions research report series has a wealth of information about passported benefits. These will include case studies and specific examples collected over a number of years. It would be of benefit if the committee could search the series and collate the evidence that it contains on passported benefits.

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<sup>1</sup> See, for example, *Lone Parent Obligations: destinations of lone parents after Income Support eligibility ends*, J. Casebourne et al, pp27-29