

Mending the Safety Net

Policy Paper 124

Working-Age Social Security Policy Paper
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Contents

Executive summary.....	2
Introduction.....	6
1.1. Principles.....	6
1.2. Context.....	8
1.3. Citizens' Income.....	11
Protection for those out of work.....	14
2.1. An opt-out insurance system.....	14
2.2. Universal credit.....	16
2.3. Benefits delivery and support for claimants	20
2.4. Sanctioning.....	24
Policies to support people back into work.....	27
3.1. A new approach to employment support services.....	27
3.2. Ensuring accountability.....	29
3.3. Working together at a local level	30
3.4. Individual Placement and Support.....	32
Policies to support children	34
Policies to support those with a disability or sickness	37
5.1. Work Capability Assessment	37
5.2. Employer support for those with a disability or sickness	40
5.3. Carer's allowance.....	41
Housing benefits.....	43
Measuring Poverty	45

Executive summary

Protection for those out of work

- Liberal Democrats will make it easier for people to add stability to their own financial situation. We would introduce a system of unemployment insurance and income protection insurance, with premiums shared by employers and employees. The system will be opt-out, similar in nature to auto-enrolment for pensions. The Government will accredit schemes to increase public confidence and will encourage friendly societies to provide these products.
- The Benefit Cap is a blunt tool to reduce benefit payments that disproportionately affects larger families and certain locations. Liberal Democrats would scrap the Benefit Cap and manage the level of benefit payments by reducing the cost of the Housing Benefits bill through housing policies.
- To support young people, we would increase the rates of Job Seekers Allowance and Universal Credit for those aged 18 – 24 in line with increases in minimum and apprentice wages for that age group.

Policies to support people back into work

- Benefits delivery will be formally separated from employment support delivery, which will be devolved to local areas. This will allow back to work support to be appropriate for the area which it is serving. It will also transform the relationship between the claimant and their employment support case worker to one based on trust and co-operation, once the burden of benefits delivery is removed from that case worker.

- National minimum service standards will be established, along with an inspection regime and a requirement for evidence-based policies, to ensure everyone has access to a good quality service.
- Liberal Democrats would scrap fixed penalty sanctions and instead implement flexible sanctioning guidelines. Benefit sanctions would be directed centrally, based on information from a claimant's record. Sanctions would only be enforced once the situation had been discussed with the claimant's local advisor, to ensure that sanctioning was appropriate.
- Mechanisms would be put in place so that sanctions could never remove Housing Benefit, or the housing or child elements of Universal Credit; this would ensure there is a minimum income below which no one could fall.
- Positive incentives will be introduced to reward those who exceed minimum requirements in their efforts to find employment.
- Liberal Democrats would seek to ensure that all those with mental health conditions have access to support based on the principles of the Individual Placement and Support approach, and we will look for ways to extend this approach to other groups who could benefit.

Policies to support children

- A Second Earners' Work Allowance should be introduced to help support families with working parents.

Mending the Safety Net

- Liberal Democrats would reverse the two child limit which is being introduced to tax credits and Universal Credit and the cuts to the family element of Universal Credit. In future we would seek to increase the child element of Universal Credit by £5 a week for the first child.

Policies to support those with a disability or sickness

- Liberal Democrats would scrap the Work Capability Assessment and replace it with a locally administered assessment. This assessment would incorporate a real world test so that applicants are assessed based on their ability to do jobs that are available locally, not on jobs that they may theoretically be able to do.
- Liberal Democrats would like to see more people receiving support from the Access to Work scheme, particularly those with mental health conditions. Anyone who qualifies for support for the Access to Work scheme should be able to receive an “in principle” agreement to the level and nature of support they will receive in a particular job before attending an interview to assist with the job application process.
- The Two Ticks scheme to recognise employers who are positive about employees with disabilities should be amended to cover better mental health. Small and medium sized companies that reach the Two Ticks standard should have the bureaucratic burden of the Access to Work scheme reduced when an employee applies for this support.
- Liberal Democrats would look to increase the provision of occupational health services as the profession has so much to

offer in supporting people back to and remaining in employment.

- The amount that a carer can earn before the Carer's Allowance is taken away will be increased to £150 a week, and the number of hours of caring required to receive Carer's Allowance will be progressively reduced to 20 hours a week.

Housing benefits

- Housing benefit should reflect the cost of renting a property, therefore we would link the level of Local Housing Allowance to average rents in each area.
- Liberal Democrats would abolish the removal of the Spare Room Subsidy and replace it with a positive incentive to downsize. We would also restore eligibility to Housing Benefit at the age of 18.

Measuring poverty

- When measuring poverty, Liberal Democrats believe the priority should be tackling absolute poverty. We will reinstate the legally binding poverty targets of the Child Poverty Act, with the absolute poverty target our priority. We have focused in this policy paper in particular on lifting children out of poverty, and much of the money we would invest in the social security system would be targeted at children living in poverty.

While extensive responsibility for social security has been devolved to the Scottish Parliament and Government, many functions have been retained by the UK Government. Where appropriate therefore, the policies set out in this policy paper apply to England and Wales.

Introduction

1.0.1 The remit of the working group was to update party policy and produce proposals on social security in Britain. The focus of the group was on the social security system as it supports children and working age adults. Pensions were not within the remit, although other benefits that pensioners might claim, such as disability or age-related payments, have been considered. The group was advised that the policies proposed should be covered by the current budget for social security, aside from the £12bn of cuts to working age benefits that Liberal Democrats have already committed to reversing.

1.1 Principles

1.1.1 Protection of the most vulnerable in society and support for those trying to move out of deprivation are fundamental objectives of the Liberal Democrats. The preamble to our constitution lays down the principle that no-one should be enslaved by poverty. The welfare system, connected to the tax system, which is not in the scope of this paper, is also key to controlling inequality and enabling shared growth.

1.1.2 The experiences of worklessness and economic hardship are among the biggest causes of frustrated and wasted lives in modern Britain, and represent huge obstacles to the attainment of that opportunity for all to make the most of their lives for which we as Liberal Democrats strive. Paid work not only helps people to be financially self-sufficient, but builds self-esteem and is linked to better health. It is right, therefore, that the system should focus support on helping an individual

to find, remain in and progress within employment, where this a realistic possibility.

- 1.1.3 When paid work is not possible or only available at wages and hours that do not lift workers out of poverty, we need to act to ensure people still have a decent minimum level of income. Sustained periods of poverty are damaging to both physical and mental health. Poverty is isolating, it excludes people from participation in society and leaves people more vulnerable to adverse events, such as ill health and unforeseen expenses. It is all too easy for people in poverty to get trapped in a downward spiral of low income, ill-health, relationship break-ups, debt and mental problems, from which it is extremely difficult to break out.
- 1.1.4 We are particularly angry about the long-term impact on children of growing up in poverty. By the age of three, poorer children are estimated to be, on average, nine months behind children from more wealthy backgrounds. By 16, children receiving free school meals achieve on average 1.7 grades lower at GCSE.¹ Opportunities throughout adult life are seriously prejudiced by growing up poor. Tackling child poverty is therefore at the heart of our proposals.
- 1.1.5 When the great Liberal William Beveridge set out his vision of the post-war welfare state, he included as his third guiding principle that:

Social security must be achieved by co-operation between the State and the individual. The State should offer security for service and contribution. The

¹ Child Poverty Action Group

Mending the Safety Net

state in organising security should not stifle incentive, opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family.²

- 1.1.6 This dual role of providing the security of a minimum below which no-one can fall and providing the right level of support to each individual to allow them to achieve their potential is one which we still uphold.

1.2 Context

- 1.2.1 As the last words of the quotation above from Beveridge underline, the post-war social security system was designed for a very different society with very different attitudes to those of 21st century Britain. It was assumed that the basic social unit was a nuclear family with a full-time working male breadwinner and a wife at home. There was a limited range of benefits, most of which were contributory. The benefits system today has to cope with a much more complex society and labour market, with a much greater variety of family units, a greater expectation that people will change jobs many times in a lifetime, more flexible working, a different demographic profile and a dysfunctional housing market. It has become much more complex, with more means-testing, less universality and less reliance on the contributory principle.
- 1.2.2 By the time the Liberal Democrats entered the Coalition Government in 2010, the social security system was facing

² Beveridge, W, 1942, "Social Insurance and Allied Services", page 6-7

three serious threats. The first was over-complexity and ‘benefit traps’, leading to many people failing to claim what they were entitled to, numerous administrative errors with both over- and under-payments, and high withdrawal rates that sometimes meant incentives to work rather than claim were weak or non-existent. The second was the budgetary pressure on all public spending caused by the enormous public sector deficit, from which the social security budget could not be exempted given its size. The third was a growing tendency of politicians and the media to demonise recipients of benefits, with both senior Labour and Conservative politicians guilty of using the language of ‘shirkers and workers’ and ‘scroungers and strivers’, and seeking ever more punitive sanctions regimes.

1.2.3 The Coalition’s response to the first of these was Universal Credit (UC). Liberal Democrats supported its goals of simplifying the myriad of different benefits and modernising administration, but the introduction of UC has been chaotic and subject to delay. Many of the proposals in this paper set out how we would make UC fairer and do more to help families with children.

1.2.4 Liberal Democrats in government strove to limit the impact of the fiscal squeeze on the most vulnerable and were successful in seeing off, for the time being, the worst Conservative plans, such as their 2011 proposals to reduce housing benefit by 10% after a claimant had been unemployed for one year. The actions of the Conservative Government since 2015 show how important the Liberal Democrats’ role was in protecting the social security system. Their plans to cut a further £12 billion from working age

Mending the Safety Net

benefits will leave the British people without the minimum safety net they have enjoyed since the era of Beveridge, and Liberal Democrats are resolved to fight these cuts at every turn.

- 1.2.5 The current debate around benefits and claimants is divisive and vindictive. It is unhelpful to those who are working to support people in need and harmful to claimants. Portrayals of those claiming benefits as deceitful or lazy are not representative of the vast majority of claimants and further damage those who are already in a vulnerable position. We will never use this divisive language, recognising that many people who receive benefits are already working and many are unable to work. Liberal Democrats will be a clear voice standing up for the dignity and respect of claimants. Our policies are therefore aimed at providing greater flexibility and discretion in benefit conditions and sanctions to alter fundamentally the approach that Job Centre Plus staff take towards claimants. However, we remain committed to the principle that, when someone abuses the system, they should be penalised. The people who lose out most from benefit fraud are genuine claimants, whose reputations are undermined and who see support that should be going to people like them going to those who are not in genuine need.
- 1.2.6 As Liberal Democrats, we champion the freedom, dignity and well-being of individuals and this should be at the heart of the social security system. We believe that public services should be responsive to the people they serve and available to all on equal terms. This means ensuring the social security system is fit for use by those with mental health conditions as well as those with physical health conditions.

1.3 Citizens' Income

- 1.3.1 During the course of deliberations on policies for inclusions in this paper the ideas of a citizen's income (also known as minimum income or basic income) and negative income tax were examined in depth.
- 1.3.2 We were initially strongly attracted to the thinking behind both of these measures. We believed that they could have the potential to meet many Liberal Democrat principles for a benefit system, as set out above. We also believe that they could offer an opportunity to address some long term concerns about changes in the labour market.
- 1.3.3 However, after examining the systems thoroughly, we have come to the conclusion that these policies would be unable to cope with the diverse and complex variations in benefit needs existing in the UK, in particular the huge variation in housing costs within the country and support for people with disabilities.
- 1.3.4. Most schemes propose a single flat rate of benefit, payable to everyone, with different rates set for children, adults and pensioners. However, the stark differences in housing costs within our country means that either the benefit would have to be set at a level which is prohibitively expensive, covering high housing costs areas whilst being very generous for low housing cost areas, or it would need to be set at a level which fails to provide universal coverage and instead is only a basic income for some parts of the country. Add to this the extra costs that people with disabilities or supporting those with disabilities encounter, and such a basic income system either will not be universal and affordable or it will treat those with disabilities, caring responsibilities or living in higher housing cost areas unfairly and inadequately.

- 1.3.5. This has led some proponents to propose a hybrid scheme, with a flat rate topped up for housing costs and disability costs. However, most of the schemes use the abolition of the social security administration to part-fund them, and if means-tested benefits continue to be paid alongside the flat rate payment, then these savings cannot be realised and again the scheme rapidly becomes prohibitively expensive. In addition, the combination of continued means-testing and increased tax rates would nullify any improvements in work incentives. It also loses the benefits in terms of reduced stress and error from having one standard system across the board.
- 1.3.7. We were surprised by the modelling presented to us by experts on the citizen's income, which shows a high number of those who would potentially lose income under the system would be at the bottom end of the income scale. When considering a change with such large financial costs, we do not consider it reasonable that the brunt of these cost should be borne by those on lower incomes.
- 1.3.8. Implementing a basic income would entail increases in expenditure, potentially very significant, both to fund it and to implement a complete replacement of the current social security system. We believe that this is not the best way in which to spend scarce resources. Instead many of the benefits sought by basic income supporters can be delivered more effectively through reforms to the current system.
- 1.3.9. For many supporters of a citizen's income, the unconditional nature of the benefit is extremely appealing. Indeed this

principle sits well in the Liberal philosophical tradition. We therefore considered this, and examined problems that have been highlighted with conditionality and sanctions in the current system. While a universal citizen's income would remove the need for sanctions, we believe that the legitimate concerns about the current operation of the sanction system within the benefit system can be addressed by our other recommendations. We are also doubtful as to whether it is desirable, or practical, to scrap job-seeking requirements entirely, as would happen under a form of basic income.

- 1.3.10. We have therefore come to the conclusion that a citizen's income or negative income tax policy, whilst superficially attractive, do not in practice meet the demand for a fair, cost effective benefit system that supports those who need the most help.
- 1.3.11. However, we recognise that it is important for the social security system to encourage innovation and improvement and we will continue to monitor trials of variations of citizen's income elsewhere in the world and learn from them. If mechanisms could be found to address our concerns, and in particular to cope with the regional disparities present in a country like the United Kingdom, then we would expect the Party to reconsider the issue.

Protection for those out of work

2.1 An opt-out insurance system

2.1.1 In many other Western countries, such as Canada, Germany and the Netherlands, social security consists of two interacting systems: a basic safety net and a series of (generally mandatory) socialised top-up insurance products, such as unemployment insurance or incapacity insurance. These typically provide a fixed or sliding percentage of the last-earned salary for a fixed period of time, after which people would fall back onto the basic safety net. While this second type of insurance product exists in the UK, these are private benefits which only a small number of people take out.

2.1.2 When temporary health conditions mean individuals are unable to work, the drop in income that results from relying on Statutory Sick Pay, Employment & Support Allowance or Personal Independence Payment can mean significant financial hardship for families with fixed outgoings, such as mortgages. This may impair an individual's ability to recover from a health condition or seek new, more appropriate work.

2.1.3 Liberal Democrats are concerned that social security in the UK is set at such a level that people who may be entitled to it do not opt to use it. For example, someone on a median wage or above may not sign onto Jobseeker's Allowance if they lose their job – preferring instead to rely on their savings or family for a short period of time to tide them over until they have found a new job. This creates a two-tier system, where a significant group of people never make use of the benefit

system, which may be a factor in the erosion of public support for out-of-work benefits.

- 2.1.4 Liberal Democrats believe that the UK Government and the Scottish Government, as welfare budgets are devolved, should introduce a UK-system of unemployment insurance and income protection insurance (also known as permanent health insurance). This would see employers either arranging company-wide insurance products for employees, as some employers already do, or auto-enrolling employees into such insurance products, with the option for employees to opt-out. Such schemes could be offered by the private sector but Liberal Democrats would support mutuals and friendly societies to offer these products. Additionally, Government accreditation should be available for income protection insurance policies to improve trust in the product.
- 2.1.5 Liberal Democrats would like to see insurance premiums shared by employees and employers. One method that could be used to achieve this would be similar to auto-enrolment pension contributions.
- 2.1.6 Liberal Democrats would also like to explore ways in which the Government could encourage take up of these schemes. One option is that those in receipt of an unemployment insurance or income protection insurance pay out would not be eligible for unemployment benefits while this income was being received, however to incentivise employers and employees, the Government would invest the money saved from unemployment benefits in contributions into the insurance scheme. This could be done in a similar manner to the contracting-out of the Additional State Pension, i.e. through lowering National Insurance Contributions. We would welcome further work into different ways Government

contributions could be applied and scheme take up could be encouraged.

- 2.1.7 With reference to income protection insurance in particular, there is an additional benefit that it is likely to incentivise employers to put in place measures that improve well-being at work in a bid to lower premiums, through reduced employee sickness absence, for example by providing better ergonomic work stations for office employees to reduce absence caused by musculo-skeletal conditions.

2.2 Universal credit

- 2.2.1 Universal credit (UC) was introduced to simplify the benefits system by bringing together a range of working-age benefits into a single payment. UC replaces six working-age benefits:

- Income Support
- Non-contributory Job Seekers Allowance (JSA)
- Non-contributory Employment Support Allowance (ESA)
- Housing Benefit
- Child Tax Credits
- Working Tax Credits

- 2.2.2 Liberal Democrats support the principles behind UC, namely its aims of simplifying the social security system, improving work incentives, increasing take-up, tackling poverty and reducing fraud and error.

- 2.2.3 Liberal Democrats will closely monitor the continued roll-out of UC. To date this has been chaotic: plagued by poor

administration, information management and data quality issues. Full implementation is now expected by 2021 and we support the completion of its implementation with the maintenance of the high standards set at the outset.

- 2.2.4 There are a number of changes that the Conservatives have made to UC since it was first designed, to which the Liberal Democrats are opposed, and there are a number of improvements that we believe could be made to the scheme, which we identify throughout this paper.
- 2.2.5 The current freeze on benefit rates is forecast to be a real terms cut to the income for claimants. Liberal Democrats would increase benefits in line with CPI, with a longer term aspiration to tie increases in benefit rates to increases in median earnings, with the exception of Housing Benefit. This will ensure that benefit rates remain sufficient to meet the costs which they are designed to cover, while making sure that benefits increase with improvements in the economy.
- 2.2.6 UC's 65% taper rate means recipients lose 65p in each £1 earned after tax (beyond the work allowances). This means they also lose 65p in each £1 of any income tax or National Insurance tax cut they receive. As a result, people receiving UC miss out on most of the benefit of any increases in the personal tax allowance or the National Insurance contribution threshold. Therefore, when personal income tax or National Insurance allowances are increased, the Liberal Democrats will make sure that work allowances are increased by the same amount so that poorer families don't lose out on the benefit of tax cuts.

Mending the Safety Net

- 2.2.7 The Benefit Cap was introduced in 2012 and limits the total amount that can be claimed in benefits included within the cap to £26,000 a year. Later this year this will be reduced to £23,000 a year in London, and £20,000 in the rest of the country. The policy currently only affects around 20,000 families and reduces the benefits bill by roughly £100m each year. However, it disproportionately affects those with higher costs, including larger families, those who live in areas of the country with higher housing costs and those with additional needs. We would therefore scrap the benefit cap.
- 2.2.8 We note there are concerns, which are reported by the media, that there are some who can work but do not because they are better off financially on benefits. However, we believe instances where this is really the case are extremely rare. Benefit assessments are designed to determine how much a family needs to live on. If this amount is then arbitrarily reduced to the level of the cap, by definition this means the family is getting less than they need. We therefore believe that the benefits cap is not the correct way to address concerns about the high levels of benefits payments, and instead we believe the policies outlined in section 6 to address the rising cost of the Housing Benefits bill will provide a better approach to reducing the overall benefits bill.
- 2.2.9 Those under the age of 25 without children receive a substantially lower rate of JSA and UC. The weekly amount of JSA for those aged 18 to 24 is up to £57.90, whereas for those over 25 it is up to £73.10. Under UC the single person standard allowance is £317.82 per month for over 25s and £251.77 for under 25s.

- 2.2.10 Minimum wages are also lower for young people and the national living wage, introduced earlier this year at £7.20 per hour, only applies to workers aged 25 and over. For younger workers, the minimum wage is £3.87 for under 18s, £5.30 for 18 to 20 year olds and £6.70 for those ages 21 to 24. For apprentices, the minimum wage is £3.30 per hour. Liberal Democrats support increasing the minimum wages for young workers up to the same as the minimum wage for older workers. Young people make an important contribution to the economy and this should be valued as highly as any other worker. Our policies for giving young people the opportunity to achieve their full potential are set out in policy paper 107 *Giving Young People a Future*. Among the principles set out, it states that “Every young person deserves a fair chance to succeed when they leave full-time education and begin their working life.”
- 2.2.11 The same principle should apply to social security. We believe young people starting out in the world should have the same safety net to fall back on as the rest of the working age population. However, in the context of lower wages for young people in work it would not make sense to increase immediately the rate of unemployment benefits in isolation. It would result, for example, in a young person receiving JSA being financially better off than an apprentice working 22 hours a week.
- 2.2.12 Liberal Democrats would increase the rates of JSA and UC for those aged 18 – 24 in line with increases in minimum and apprentice wage rates for that age group. This would be in addition to any benefit rate uprating referred to in section

Mending the Safety Net

2.2.5. Together with our commitment to increase the rate of National Minimum Wage for apprentices and young workers at an accelerated rate, this will narrow the gap between young people claiming JSA and UC and the rest of the population until the levels of benefit received are the same.

2.2.13 The move to monthly payments under UC has the positive aim of helping claimants to budget within the same timescales as most workers who receive monthly payments, so that it does not come as a shock for people moving off benefits into work. However, it has created an additional complication for those who struggle to manage their money; this is particularly the case for vulnerable people and those with mental health conditions. Liberal Democrats would therefore reverse the Government's decision to scrap funding for 'jam jar' accounts for those on UC who want to be able to use their bank accounts to ring fence funds for different purposes.

2.2.14 Liberal Democrats would also put in place a mechanism so that employment support case workers, benefits advisors and other support workers in contact with a claimant can flag concerns about the claimant's ability to manage their money. This would allow them to recommend that suitable adjustments, such as more regular benefit payments or payments of Housing Benefit directly to the landlord, be made before a claimant gets into financial distress.

2.3 Benefits delivery and support for claimants

2.3.1 The employment support system should allow for far greater tailoring and targeting of support to take account of the personal circumstances and barriers to employment faced by

individual claimants. We would achieve this by making separate and distinct the functions of benefits delivery and employment support.

- 2.3.2 Benefits delivery would remain with the Department for Work and Pensions (DWP) and would be formally separated from employment support delivery, which would be devolved to local authorities, in order to improve trust and co-operation between employment support workers and clients.
- 2.3.3 This separation of functions will require a significant cultural and practical shift in the way in which information is shared between DWP, local authorities and other relevant agencies. Relevant information on claimants' status, circumstances and progress, including their compliance with conditionality, should be shared between DWP and local employment support providers (in-house or contracted) via a common information management system which allows DWP staff to monitor cases, raise any concerns with local employment support case workers and make informed decisions on the application of conditionality measures.
- 2.3.4 Claimants living in areas with poor transportation links to major towns and cities are being disadvantaged because they find difficulty attending their 'local' Jobcentre Plus (JCP). Liberal Democrats would address this problem in the following ways:
- Mobile DWP workers would visit rural towns and villages on a rota basis, allowing claimants to sign-on, use on-board digital services, be interviewed and receive face-face support. Similarly, DWP-run benefits

Mending the Safety Net

surgeries could take place in local village halls, community centres or health centres.

- We would extend the availability of home visits to disabled people, the long-term sick, and parents with young children and supplement these with digital delivery where appropriate.

2.3.5 Liberal Democrats are committed to the digital delivery of the benefit system. Areas where there is a high concentration of benefit claimants and appropriate geography, for example in a tower block or social housing estate, may be eligible for low-cost connection to the Internet through Wi-Fi. Providing low-cost internet connections via Wi-Fi has been trialled in housing association buildings in Glasgow, among other areas, with impressive results. Relationships will be established with existing broadband providers to deliver shared Wi-Fi services which provide access to DWP, Central Government and Local Government services for free. The possibility of obtaining more general internet access for an additional per-household fee will be made available by the provider.

2.3.6 Many claimants find the benefits system faceless, difficult to navigate, and confusing. They often have to turn to other support agencies such as CAB or CPAG because their local JCP is either unwilling or unable to help. The Liberal Democrats will improve DWP services to support claimants in the following ways:

- We will strengthen the 'Universal Support' programme, currently being trialled in local areas alongside Universal

Credit, by refocusing the role of DWP advisers on support for claimants, with the employment support aspects of their role devolved to local authorities. This will minimise the number of claimants forced to seek advice from external agencies such as CPAG or CAB to ensure that they are claiming the benefits to which they are entitled.

- People with mental illnesses or learning disabilities will be eligible for special one to one help from DWP staff when making claims or signing on. Where appropriate, claimants who lack confidence with digital platforms will also be able to make use of this service on request.
- When benefit systems are changed (e.g. from DLA to PIP) DWP staff will provide practical help to transition claimants from one system to another, if necessary by walking individuals or small groups of claimants through the process face to face.
- DWP staff will be encouraged to build formal working relationships with local support agencies such as CPAG, CAB, Shelter, Social Services and probation services.
- Under the current system UC registration persists for six months before claimants have to reapply. To reduce bureaucracy, and to allow for claimants transitioning in and out of part-time or casual work on an irregular basis, UC registration will persist for five years unless the claimant asks to be removed from the system.
- Further consultations will be initiated with charities for the homeless and those dealing with ex-offenders, such as Shelter and CRISIS. The system of delivering

UC to these client groups will be reformed to enable those without an address, bank account or access to the internet to receive the benefits to which they are entitled.

2.4 Sanctioning

- 2.4.1 Conditions attached to the payment of certain benefits, designed to ensure the claimant gains or progresses within employment, are helpful in motivating some claimants and adding a feeling that the benefit has been earned, instead of being a handout, which can contribute to claimants' self-esteem. We therefore believe that sanctions have a place, but in their current form, sanctions are unnecessarily draconian and used too routinely.
- 2.4.2 The effects of having benefits sanctioned can be devastating. A regime of fixed penalty sanctions for benefit claimants is inappropriate. It can result in absurd consequences for technical breaches, such as having benefits removed for being minutes late for an interview or for missing a JCP appointment to attend a job interview. Within the justice system we have sentencing guidelines that recognise different sets of circumstances mean that different responses are appropriate and we trust professionals to apply these. The benefits sanctioning system should be no different. Liberal Democrats would replace the fixed penalties regime with sanctioning guidelines to allow greater flexibility and discretion.
- 2.4.3 No one should be sanctioned so much that they are left with too little upon which to survive. Liberal Democrats would look at how the administration of sanctions is handled between

authorities responsible for the payment of different benefits. For example, local councils stop payment of Housing Benefit when notified by Job Centre Plus that a claimant is no longer receiving benefits. This can happen when a claimant is sanctioned. Although Housing Benefit payments will continue once it has been established why benefits have been stopped, this delay can lead tenants to falling into arrears and if Housing Benefit payments are not backdated, these arrears can persist and result in eviction. We are also concerned how sanctions will interact with the child element of UC once tax credits are brought within UC. Any child-related elements of UC must be protected to ensure that children are insulated, to some extent, from a measure that has resulted from the behaviour of their parents.

- 2.4.4 As a safeguard Liberal Democrats would therefore restrict sanctions so that claimants at the least receive Housing Benefit, child tax credits and an additional £5. The additional amount on top of Housing Benefit and child tax credits would ensure that local authorities aren't informed that benefits have been removed from a claimant, so they don't fall into rent arrears.
- 2.4.5 Having JCP staff apply the benefits sanction regime as well as providing employment support destroys trust between claimant and advisor. In addition to separating the benefits delivery and employment support functions, Liberal Democrats would introduce a system where the decision to sanction would be taken at a senior level within DWP, based on the claimant's record captured on the common information system by DWP, local authorities or other relevant agencies. The decision would then be discussed with the claimant's employment support case worker, benefits advisor or other relevant support workers in touch with the claimant, so that the circumstances of the breach of conditions could

Mending the Safety Net

be understood before any sanctions were applied. Only if there is agreement between the DWP senior officer and the employment support case worker, would sanctions be applied.

- 2.4.6 The sanctioning regime should be, and should be seen to be, fair and impartial. This cannot happen without an independent appeals system. Currently appeals are reviewed by a JCP advisor from another Job Centre, but this is not perceived to be independent or impartial. Liberal Democrats believe decisions to impose a sanction should once more be subject to appeal to a tribunal.
- 2.4.7 We recognise that there are infrequent cases where people do abuse this system and claim benefits fraudulently. In these cases it is completely appropriate that they are investigated and penalised.
- 2.4.8 In work, going above and beyond the basic requirements of our job is rewarded through overtime payments, bonuses and promotions. In order to encourage and support claimants who are working hard to find employment, and to ensure that the system offers a carrot as well as a stick, Liberal Democrats would introduce flexibility to reward claimants with bonuses of up to £10 extra a week if they demonstrate exceptional effort in their job search. This might include looking for jobs in places other than those stipulated in by the claimant commitment or undertaking additional voluntary activities in order to build skills. Encouraging claimants to find more ways to improve their employment prospects will reduce the time taken to find employment.

Policies to support people back into work

3.1 A new approach to employment support services

- 3.1.1 The design, targeting and delivery of employment support should be largely devolved to local authorities so that it can be adapted to local labour market variations, allow for better alignment and integration of employment support services with other relevant local services to improve user experience and outcomes, and make better use of the range of local assets and expertise.
- 3.1.2 Employment support responsibilities currently overseen by the DWP should be devolved and placed under local democratic control. This should encompass employment support currently provided through the JCP network, decoupled from benefits delivery as described above; support provided through externally commissioned programmes, such as the Work Programme and the upcoming Work and Health Programme; and support currently provided for aspiring self-employed people through the New Enterprise Allowance.
- 3.1.3 Liberal Democrats would achieve this by transferring the relevant statutory obligations. This should be implemented with an appropriate transitional period and potentially with reference to readiness conditions developed collaboratively

Mending the Safety Net

between local and central Government and the employment support sector.

- 3.1.4 Relevant budgets should be drawn down on a per claimant basis, based on a formula to be co-designed between central and local Government and the employment support sector, to protect areas against spikes in demand caused by local employment shocks.
- 3.1.5 Mechanisms should be trialled, and if successful rolled out, to allow local areas to benefit from successful delivery of employment support services, potentially through the retention of a proportion of benefit savings for local reinvestment. Local areas should also be free to raise additional investment funding for employment support, for example through Social Impact Bonds. Over time, as local areas gain more fiscal autonomy through initiatives such as 100% business rate retention, there could also be potential to roll the financing of employment support services into localised funding mechanisms.
- 3.1.6 This transfer of responsibilities and budgets should be to upper-tier authorities or, where good governance and clear accountability can be demonstrated, to combined authorities. Where responsibilities are transferred to single authorities, Liberal Democrats would like to see co-operation between authorities – such as through LEPs, shadow combined authorities or other partnerships – to ensure that services can reflect the circumstances of labour market areas as a whole. The specific circumstances of London, including the emergence of sub-regional groupings of boroughs to take on devolved responsibilities and commission services at an

appropriate scale, should be taken into account when applying this approach to the capital.

3.2 Ensuring accountability

- 3.2.1 National minimum service standards for employment support services should be established and publicised, on a collaborative basis between central Government, local government and welfare to work professionals across the private and third sectors. These should include expectations, based on good practice, for minimum levels of contact with and support to clients, which should be set out in terms of broad groupings based on those requiring 'more intensive' and 'less intensive' support.
- 3.2.2 These minimum standards should be the basis for individuals to challenge or raise concerns about the standards of support they are receiving, in the first instance via local authority complaints procedures. They should also form the basis for an appropriate inspection regime designed collaboratively with the local government sector and aligning wherever possible with existing regimes such as those overseen by Ofsted and the Care Quality Commission.
- 3.2.3 Within these minimum standards, local areas should be free to segment claimants into those requiring more and less intensive support or specialist help, and target support as they see fit in order to improve outcomes for clients. However, local areas should have to be able to demonstrate to their inspecting regimes that such policies are evidence-based.

3.3 Working together at a local level

- 3.3.1 Devolving employment support budgets and services should provide opportunities to maximise the benefits of joining up services more effectively, including through clear roles and responsibilities for Health and Wellbeing Boards, Local Enterprise Partnerships, partnerships of agencies involved in delivering Universal Support Services relating to UC, and other relevant mechanisms for governance and collaboration.
- 3.3.2 Government should increase resourcing for capacity-building and support for evaluation to improve the national evidence base on effective employment support, through institutions such as the What Works Centres for Wellbeing and Local Economic Growth. As part of this, good practice should be established and shared to assist local areas in integrating employment support with other public services, including through the alignment of triage and assessment methods, referral mechanisms and routes, data collection and data sharing protocols across relevant local services, particularly health, social services, housing and employment.
- 3.3.3 Ring-fences on relevant budgets, both those retained centrally and those devolved, should be minimised in order to strengthen local ability to provide tailored support to individuals to secure and progress in employment. This particularly relates to the current distinction between employment support (DWP) and 19+ skills (Skills Funding Agency) budgets.
- 3.3.4 Employment support should focus not only on support for job entry, but also on job retention and job progression. In

practice, this means improving the way in which relevant health, skills and employment interventions are linked.

- 3.3.5 Opportunities should be explored to improve links between different budgets, outcomes frameworks and assessment criteria (particularly across the DWP and the Department for Business, Innovation and Skills) to reflect a more holistic set of shared objectives around supporting employment outcomes.
- 3.3.6 The responsibilities and budgets of the national Fit for Work Service should be integrated with the employment support offer for the unemployed, in order to allow for better integration with other aspects of employment support and public health commissioning.
- 3.3.7 Incentives for skills providers should be better aligned with job entry and job progression. In some cases where skills budgets are being devolved (e.g. Skills Funding Agency Adult Education Budget for 19+) this can be achieved through enabling local areas to exercise flexibility over provider payment structures, while the same principle should be applied to those budgets which currently remain at the national level.
- 3.3.8 The self-employment support offer currently associated with the New Enterprise Allowance should be redesigned and expanded, in partnership with entrepreneurs and local authorities, to provide an equally well-resourced pathway for those seeking to move into self-employment or start a business.

3.4 Individual Placement and Support

- 3.4.1 Those with mental health conditions face different challenges getting back into the workplace. The Individual Placement and Support (IPS) approach is based on individualised support centred around a strong long term relationship with an advisor. IPS looks to secure paid employment that matches the person's interest and aspiration by co-producing a plan of action, rather than requiring them to undertake certain activities. Support continues once the person gets a job and is integrated with the person's health support. There have been very successful in trials based in secondary mental health care centres, as well as small-scale trials that have extended the IPS approach to the Work Programme or JCP services working with claimants who have anxiety or depression and have shown very encouraging results.
- 3.4.2 Liberal Democrats would ensure that the principles of the IPS approach are integrated into the minimum standards for supporting claimants with mental health conditions. We would also conduct trials to see if the IPS approach could improve outcomes for other groups which have regular contact with an assigned support worker, including single mothers and carers.
- 3.4.3 The role played by employers in helping those furthest from the labour market to secure work should be recognised and properly supported. In section 2.1.7 we noted that the introduction of an opt-out insurance scheme would provide an incentive to employers to change employment practices to promote health and retain staff.

- 3.4.4 Local case workers in a devolved system can act as advocates and navigators to help employers access practical assistance through schemes such as Access to Work, allowing it to be publicised in a more targeted way and tailored more effectively to the needs and concerns of local employers.

- 3.4.5 As part of broader work on skills strategies, local authorities, combined authorities and Local Enterprise Partnerships should be empowered to set expectations for local employers in helping to raise the participation of excluded or harder to help groups in the workforce. These should take account of local labour market conditions and the differing abilities of different employers, of different sizes and types, to contribute to improving participation.

Policies to support children

- 4.1 Experiencing poverty during childhood causes lasting harm; it damages educational outcomes and enhances inequality. Liberal Democrats have been championing policies to improve the life chances of disadvantaged children, including fighting for the pupil premium and free childcare for the most disadvantaged 2-year olds while in Government. We will continue our work with the social security system, which is a fundamental part of the attack on child poverty as it directly affects the amount of money available in the child's home.
- 4.2 As a priority Liberal Democrats would reverse the cuts which are being made to support for families by the current Government. Restricting the amount of support that goes into a child's home because of the make-up of their family is not fair. Liberal Democrats would therefore scrap the two child limit which is being introduced to tax credits and UC.
- 4.3 The child element of UC has been cut, by removing the premium received for the eldest child, worth £45.41 a month. The proposed scrapping of tax credits was met with outrage and has been reversed, but with tax credits being replaced by UC the pain has been postponed, not rejected. Removing the amount of support directed towards the poorest children in society is wrong, the Government should not be making life harder for those families who already struggle the most. Liberal Democrats would reverse the cut to the child element of UC.
- 4.4 In the future, Liberal Democrats would seek further increases in the child element of UC for the first child. This would begin with a £5 a week increase for the oldest child in each family, in recognition of the fact that the expenses incurred having a first

child are higher than the marginal costs of additional children as some costs, such as babysitters, can be shared and certain items like pushchairs can be reused.

- 4.5 We choose to put money into the child element of UC because it effectively targets families on the lowest incomes, and we believe it is better to give this money direct to parents, rather than in further childcare or other in-kind benefits, because we believe that parents are best placed to make decisions about how to support their children. In addition, the costs of bringing up a child are high throughout childhood, not just in the early years.
- 4.6 Working families are now the largest group affected by poverty. There is significant evidence that families with two incomes are less likely to remain in poverty over the long term, which is better for their children. Poverty amongst working families will be exacerbated under UC, which has a marginal rate for second earners in a family as high as 65p in £1 from the first pound earned, much higher than currently. This reduces the attractiveness and rewards of work for second earners in a household. Providing an incentive for both parents to work will help families find consistent and reliable ways out of poverty. Liberal Democrats would therefore introduce a Second Earner's Work Allowance for couples with children, equal to the minimum of the main earner work allowance (around 40% of the maximum main earner work allowance), to ensure that the work incentive remains strong and to help support working parents.
- 4.7 We propose funding this by abolishing the marriage tax allowance and removing certain benefits for Pensioners. We would remove winter fuel payments worth between £100 and

Mending the Safety Net

£300 from higher- and additional-rate taxpayers, currently those pensioners with incomes in excess of £42,000, and restricting free TV licences, worth £145.50, to those on pension credit. We believe it is right to target help towards working families that are struggling most, with policies that will have the greatest impact on child poverty, as well as targeting benefits to those pensioners who need them.

- 4.8** Families come in all shapes and sizes and no child should suffer because their family does not fit into the traditional pattern for which the social security system was designed. Liberal Democrats would investigate ways that the social security system could be adapted for these families, in particular looking at how parents receive support for the children where residency is shared.

Policies to support those with a disability or sickness

5.1 Work Capability Assessment

- 5.1.1 The Work Capability Assessment (WCA) assesses a claimant's entitlement to Employment and Support Allowance. Claimants are assessed into three categories: (i) Fit to work, (ii) Work-Related Activity Group (WRAG) which require the claimant to attend regular meetings and, in some cases, undertake work-related activities such as training, or (iii) Support Group, which do not require any regular interviews or activities. Both WRAG and Support Group receive ESA but WRAG payments are lower.

- 5.1.2 The WCA is widely mistrusted and has lost the confidence of its users. Claimants have reported assessments not being carried out by appropriate medical professionals, feeling as if the questions were designed to trick them and complaints that the tick box nature of the assessment does not adequately allow for an understanding of their condition, particularly in the case of fluctuating conditions. The outsourcing of the assessments to private contractors has also contributed to suspicion about the aims of the assessment.

- 5.1.3 The assessment cannot achieve its aims where claimants do not trust the system and are afraid to be completely honest. Therefore Liberals Democrats would scrap the WCA as it currently exists.

Mending the Safety Net

- 5.1.4 However we recognise that some form of assessment is necessary to allow people to access the right level of support. The assessment should be understood by all to be the first step in making sure that people get the help and support they need and not primarily being a barrier to benefits, as they are widely viewed now.
- 5.1.5 We would introduce a new assessment, to be administered by local authorities, in a similar manner to assessment for social care, to take the place of the WCA. If, at a local level, the decision was made to contract out the assessment to a third party, the more manageable size of the contract would mean more organisations would be able to bid, including voluntary sector organisations.
- 5.1.6 There would be national eligibility criteria for the different levels of support, to ensure consistency throughout the country.
- 5.1.7 The assessment should also take into consideration the employment environment in which the claimant is living. The type of jobs available and their accessibility varies significantly across the country and we believe it is right that the support offered reflects this.
- 5.1.8 A 'real world' test would therefore be built into the assessment. Based on the Dutch system, this would take the form of demonstrating that there are at least three types of job that are available in the local area that the claimant would be able to do, replacing the theoretical ability to do a job that may not exist locally. If there are no appropriate jobs identified, the claimant would be placed into WRAG with

appropriate training being provided to work towards gaining the capability to do jobs that are available locally or keeping skills current so the claimant is ready for work when a suitable job does arise.

5.1.9 Liberal Democrats oppose the reduction of the ESA WRAG component to the level of JSA, contained within the current Government's saving plans. However, we would like to see the WRAG become more flexible, so it is appropriate to the different needs of those placed into it. Those placed into the WRAG as a result of the real-world test of WCA referred to in section 5.1.8 should have conditions focused on skills that give them the greatest potential for future employment, whereas for those who have fluctuating conditions, we would expect DWP advisers and employment support advisers to take a flexible approach to applying conditionality, taking into account the medical condition of the claimant, and the fluctuating nature of their condition.

5.1.10 Liberal Democrats would also make amendments to the PIP assessment. The 'moving around' assessment has been changed from the criteria of the ability to walk from 50m, as it was under the predecessor DLA assessment, to 20m. This reduction is arbitrary and is particularly unfair to those with fluctuating conditions. It has resulted in 400 to 500 Motability cars a week now being handed back by disabled claimants. We would reinstate the 50m test.

5.2 Employer support for those with a disability or sickness

- 5.2.1 The Access to Work scheme provides valuable assistance in supporting those with a disability in their employment, both through provision of physical adjustments to help the employee in their work place and through intangible support, such as facilitating discussions with an employer about adjustments to make and providing awareness training. Liberal Democrats would work to increase awareness of the Access to Work scheme, both among disability employment advisors and employers so that greater numbers can seek support to return to or remain in their jobs. In particular, the Liberal Democrats would promote the scheme for those employees with mental health conditions, where this scheme has yet to meet its full potential.
- 5.2.2 Liberal Democrats would also introduce a system for employees to get an ‘in principle’ agreement for the support package they would receive in a particular type of role prior to applying for jobs. This would allow the employee to present to a potential employer an agreed package of support to give the employer greater confidence that sufficient support would be available were they to employ that individual.
- 5.2.3 The Two Ticks scheme is an accreditation given by JCP to employers who have agreed to take action to meet five commitments regarding the employment, retention, training and career development of disabled employees. Liberal Democrats would extend this scheme to include a commitment to treat mental health conditions with parity to

physical disabilities and a commitment to promoting positive mental health throughout the company's workforce.

- 5.2.4 Small and medium size companies that reach the Two Ticks standard have demonstrated a positive and responsible approach to supporting disabled employees. To reward this and encourage more employers to sign up to the scheme, Liberal Democrats would look at ways to exempt these companies from bureaucratic hurdles and fast track applications when obtaining support for an employee through the Access to Work scheme.
- 5.2.5 The occupation health profession has a lot to contribute in supporting people to enter and remain in employment. Provision across the country is inconsistent and many people, particularly those employed by small- and medium-sized companies struggle to access the help they need. Liberal Democrats would therefore seek to build up the occupational health sector to ensure that all those who could benefit from occupational health support are able to access it.

5.3 Carer's allowance

- 5.3.1 Unpaid carers contribute a huge amount to the UK, with calculations showing the financial contribution is £132 billion a year. However, the impact on carers themselves too often goes unrecognised. In a 2016 survey of carers by Carers UK, 44% of respondents said that they are struggling to make ends meet and a 26% said that they have been, or are currently, in debt as a result of their caring role. The toll of taking care of someone, in most cases a close family

Mending the Safety Net

member or friend, is immense and we must do more to ensure that financial pressure is not added to this.³

5.3.2 Liberal Democrats would increase the amount a carer can earn before losing the Carer's Allowance from £110 to £150 a week. This would mean that those working up to 20.5 hours a week at National Minimum Wage will qualify for the full amount of Carer's Allowance.

5.3.3 We would also progressively reduce the number of hours that carers have to spend caring in order to qualify for Carer's Allowance from 35 hours to 20 hours, to provide extra support to those who juggle caring and employment.

³ Carers UK, State of Caring 2016

Housing benefits

- 6.1 Housing Benefit is the largest element of working-age social security expenditure, and Housing Benefit expenditure has doubled in real terms over the past 20 years. This is in large part due to the lack of supply of housing. There are currently 1.8 million households on council social housing waiting lists and the proportion of Housing Benefit claimants in the private rented sector has increased significantly.
- 6.2 The housing crisis affects all areas of the country and we believe the provision of support to assist with housing costs should reflect the realities of the market. Policies to address the housing crisis and lack of supply are contained in policy paper 104 'Decent Homes for All' and our 2015 policy motion 'Delivering the Housing Britain Needs'. Here we cover how Housing Benefit should operate within the current environment.
- 6.3 The Local Housing Allowance (LHA) is available to tenants who rent privately. It is a flat rate based on the number of bedrooms for which a tenant is eligible, and was originally calculated as the 30th percentile of rents for similarly sized properties in the same Broad Market Rental Area (BRMA). The current Government has frozen the LHA in all BMRAs.
- 6.4 Liberal Democrats would restore the link between LHA and actual levels of rent by increasing LHA in line with rents in each BMRA. This will ensure that the amount of Housing Benefit available remains tied to the cost of renting in each area. Housing benefit claimants should not become

Mending the Safety Net

increasing impoverished in order to pay their rent as housing costs rise.

- 6.5 Liberal Democrats believe that the Government's removal of Housing Benefit from unemployed people aged between 18 and 21 unfairly discriminates against young people by imposing an arbitrary age threshold. Liberal Democrats would reverse this decision and restore eligibility to Housing Benefit at the age of 18.
- 6.6 Liberal Democrats would seek to link the housing budgets of the DWP, which funds Housing Benefit, and the Department for Communities and Local Government, which is responsible for increasing housing supply, in order to encourage more joined up thinking across Government departments.
- 6.7 We need to make the best use of the social housing stock we have. The removal of the Spare Room Subsidy has failed to meet this objective: it has not resulted in a better allocation of the housing stock but instead has resulted in increased stress and uncertainty for a large number of families and a substantial increase in housing arrears. Liberal Democrats would therefore abolish the removal of the Spare Room Subsidy. Instead we would incentivise Local Authorities to help social housing tenants to move to a smaller property by giving Councils half of the housing benefit savings for the first 6 months when a tenant moves into a smaller, cheaper property. Councils could choose to share this saving with, or pass it onto, tenants to incentivise housing transfers to free up larger properties.

Measuring Poverty

- 7.1 Liberal Democrats believe in the primacy of reducing absolute poverty. Absolute poverty is having an income below that which is required to meet ‘the minimum necessary expenditure for the maintenance of merely physical health’⁴ as defined by Seebohm Rowntree. The inability to meet basic subsistence needs causes acute hardship in the short term and is damaging to the long term prospects of individuals, particularly children. In the 21st century no one should have to choose between feeding their family and heating their home; children should not be arriving at school too hungry to learn and food banks should not become an accepted part of the landscape. There is no place for absolute poverty in Britain today.
- 7.2 The prioritisation of absolute poverty does not mean that relative poverty should be ignored. Relative poverty is falling below an income threshold that is set relative to average incomes in the population. Relative poverty is important; inequality of income goes hand in hand with inequality of opportunity. Liberal Democrats therefore also recognise the importance in reducing relative poverty.
- 7.3 Targets help to ensure continued accountability and commitment to the reform of social security. The targets should be published, clear and objective in order to maximise accountability.
- 7.4 Liberal Democrats would reinstate the four legally binding targets of the Child Poverty Act 2010 to:

⁴ Rowntree, B S, 1901, "Poverty: A Study in Town Life", page 89

Mending the Safety Net

- Reduce the proportion of children who live below an income threshold, fixed in real terms, to less than 5% (the absolute poverty target).
- Reduce the proportion of children who live in relative poverty (in families with incomes below 60% of the median, before housing costs) to less than 10% (the relative poverty target).
- Reduce the proportion of children who live in material deprivation and have a low income (below 70% of the median, before housing costs) to less than 5% (the combined low income and material deprivation target).
- Reduce the proportion of children that experience long periods (three years or more) of relative poverty (the persistent poverty target).

7.5 In line with the principles set out at 7.1.1 the absolute poverty target should be prioritised. The 2020 deadline under the original Act will clearly be unattainable by the next election, so we will set a revised target date in our next manifesto.

7.6 The Liberal Democrats recognise that poverty is multidimensional and that income measures alone do not reflect the deprivation that poverty can cause. Therefore the Child Poverty Act 2010 targets will be reinstated alongside the duty to report on levels of educational attainment, worklessness and addiction, which are currently used by the Government to measure child poverty.

Mending the Safety Net – Policy Paper 124

This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution.

Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom.

The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas.

The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.

Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We will set out our priorities across all policy areas in our next General Election Manifesto.

Working Group on Mending the Safety Net

Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.

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