



## **SETTING THE RECORD STRAIGHT A CSJ RESPONSE TO THE *TRUTH AND LIES ABOUT POVERTY* REPORT**

**By Tom Wardle and Ben Walker  
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The debate over how best to define and tackle poverty is a highly charged one. Not least because it affects some of the poorest and most vulnerable people in our society. The Centre for Social Justice (CSJ) has always been clear that the most widely used measure of child poverty, defined as less than 60 per cent of the median income, is flawed. We have argued consistently that any serious measure of poverty must recognise its root causes: family breakdown, economic dependency and worklessness, educational failure, addiction to drugs and alcohol and serious personal debt.<sup>1</sup> This view is rooted in almost a decade of rigorous research and evidence, much of which has involved travelling across the country to meet people whose lives have been torn apart by deprivation.

A recent report by a prominent group of Churches, [\*The lies we tell ourselves: ending comfortable myths about poverty\*](#), seeks to expose a number of 'myths' which, in their words, 'allow the poor to be blamed for their poverty, and the rest of society to avoid taking any of the responsibility'.<sup>2</sup> Yet rather than shedding some much-needed truth on the debate, this report clouds it even further and makes a number of strange arguments.

The report is inconsistent in its own methodology. It proceeds from an assumption that we must move beyond 'anecdote' and 'prejudice' to 'evidence', but then attempts to rebut the 'myths' using its own contrary anecdotes and case studies. While the report does raise some valid points, much of it is based on serious misinformation and fails to give an accurate representation of life 'on the breadline' today. We take issue with each of these six 'myths' in turn.

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<sup>1</sup> Centre for Social Justice, *Rethinking Child Poverty*, London: Centre for Social Justice, 2012

<sup>2</sup> Baptist Union of Great Britain; Methodist Church; Church of Scotland and the United Reformed Church, *The lies we tell ourselves: ending comfortable myths about poverty*, Baptist Union of Great Britain; Methodist Church; Church of Scotland and the United Reformed Church, 2013

## MYTH I

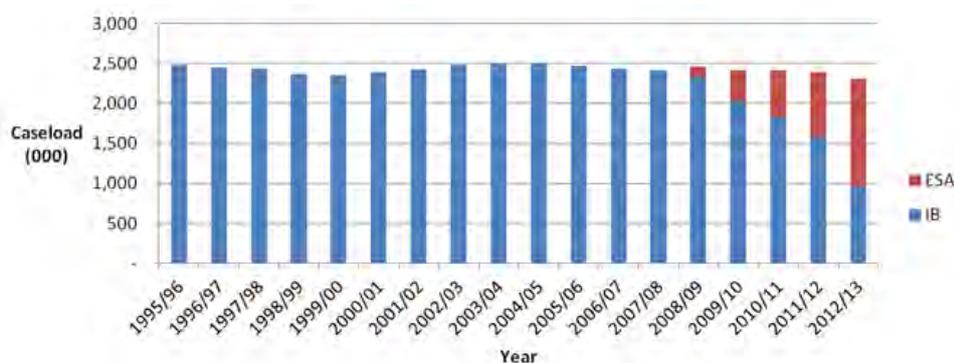
*'They' are lazy and don't want to work*

It is important to underline the scale of worklessness today. Nobody works in almost one in five (17.9 per cent) UK households<sup>3</sup> and nearly 4.7 million people in Great Britain claim one or more out-of-work benefits.<sup>4</sup> This is not just a recession-driven problem. Even when the economy was booming in the previous decade, the number of households where nobody worked actually doubled<sup>5</sup> and there were around five million people on out-of-work benefits.<sup>6</sup>

The report disputes the idea of 'dependency' as a serious issue. This is despite the latest available data showing that more than 20 million families are now dependent on some kind of benefit (64 per cent of all families), about 8.7 million of whom are pensioners. For 9.6 million families, benefits make up more than half of their entire income. This equates to 30 per cent of all families. To argue that dependency is not alive and well in the UK today is therefore totally at odds with the facts.<sup>7</sup>

In relation to incapacity benefits, the report says (with no source for its claim) that 'the number of people claiming out-of-work benefits because of sickness or disability has steadily decreased since the mid-1990s'. However, as Figure one shows below, the disability and sickness caseload actually remained relatively constant over this period and even rose slightly during the economic boom.

Figure 1: Incapacity Benefit and Employment and Support Allowance (ESA) Caseloads<sup>8</sup>



<sup>3</sup> Office for National Statistics, 'Working and Workless Households, 2012 - Statistical Bulletin' [accessed via: <http://www.ons.gov.uk/ons/rel/lmac/working-and-workless-households/2012/stb-working-and-workless-households-2012.html> (22.04.13)]

<sup>4</sup> Nomis

<sup>5</sup> Office for National Statistics, 'Households where all members have never worked' [accessed via: <http://www.ons.gov.uk/ons/rel/lmac/working-and-workless-households/2011/table-households-that-have-never-worked.xls> (22.04.13)]

<sup>6</sup> Office for National Statistics, 'Key out of work benefits' [accessed via: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/april-2012/table-ben01.xls> (22.04.13)]

<sup>7</sup> The Observer, 'Benefits in Britain: separating the facts from the fiction', 6 April 2013 [accessed via: <http://www.guardian.co.uk/politics/2013/apr/06/welfare-britain-facts-myths> (22.04.13)]

<sup>8</sup> Department for Work and Pensions, 'Benefit Expenditure Tables' [accessed via: <http://statistics.dwp.gov.uk/asd/asd4/index.php?page=expenditure> (22.04.13)]

On intergenerational worklessness, the report argues that there is 'no credible evidence that such families actually exist'. The report is right to highlight that the Government does not collect data on this, but this does not mean that the problem itself does not exist. The CSJ frequently speaks with poverty-fighting charities who comment that they come across it regularly.

*'At the charity we have worked for 11 years now with second and third generation unemployed...I can assure you that we do have/had clients whose grandparents became unemployed in the early 70s...and haven't worked since. Indeed their children and grandchildren have suffered the same inactivity'.*

Peter West-Hitchins, Recycling Unlimited

*'There is no question that it doesn't exist...in Portsmouth there are many families where there is unemployment through several generations. We need to be much more proactive about intervening early'*

Carole Damper, The EC Roberts Centre

There are a number of reasons which explain why worklessness in the UK is so high. We agree with the report that most people on benefits do in fact want to work and it is wrong to assume that those who do not are just lazy. Although there is a small group who choose not to work, the reality is that many people do not work or work very few hours because work simply has not and does not pay.

For example, when combined with tax and benefit withdrawal, Marginal Deduction Rates can be as high as 96 per cent in some cases, which is much higher than the highest rate of Income Tax.<sup>9</sup> It is often a logical decision not to work or increase your hours because you can be better off financially on benefits. It is unsurprising therefore that a CSJ/YouGov poll found that only a quarter of benefit claimants thought they would be better off by working.<sup>10</sup> Why should we expect people on low incomes to work for a smaller financial return than anyone else in society?

This underlines just how important the introduction of the Universal Credit is. This reform will simplify the benefits system and vastly improve work incentives to ensure that individuals are always better off in work. This represents the most fundamental shake-up of the welfare system since it was created in 1948 and the report barely mentions it.

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<sup>9</sup> Department for Work and Pensions, *Universal Credit: Towards welfare that works*, London: Department for Work and Pensions, 2010

<sup>10</sup> Centre for Social Justice, *Dynamic Benefits: Towards welfare that works*, London: Centre for Social Justice, 2009

## MYTH 2

*'They' are addicted to drink and drugs*

Some 705,000 children currently grow up with a dependent drinker and 350,000 children grow up with a problem drug user.<sup>11</sup> Just 13 per cent of clients presenting to treatment in England, Scotland and Northern Ireland during 2009/10 were employed and in Scotland, 72 per cent reported funding drug use from welfare benefits.<sup>12</sup> These are alarmingly high figures and the CSJ rejects any attempt to downplay their significance.

The destructive nature of addiction should not be underestimated. Addiction within a family can leave members highly susceptible to domestic violence, child abuse, drink driving, criminal behaviour and disappearances.<sup>13</sup> The children of problematic drug users are seven times more likely to grow up with drug and alcohol problems themselves.<sup>14</sup>

The report refers to a recent poll by the Department for Work and Pensions (DWP) which asked the public 'how important you think each of the following are when deciding whether someone is growing up in poverty' and gives a list of 12 options. The number one factor was 'a child having parents who are addicted to drugs or alcohol' with 90 per cent of respondents saying it was important or very important.<sup>15</sup>

But the myths report incorrectly infers from this that respondents believe addiction to be the *biggest* cause of child poverty. This is not what the DWP poll asked. It asked which factor was most *important* in deciding whether a child was living in poverty. In other words, it shows that the public think a child is most likely to have their life chances blighted if they grow up with an addicted parent. This is not the same as saying that addiction is the most common factor of all children in income poverty.

The report also notes that 'national scale research has failed to demonstrate a correlation between alcohol dependence of any degree and income levels'. But this confuses addiction as simply another way of measuring low income (i.e. a proxy) with addiction as a form of poverty itself. It would be incorrect to argue that all or even most children considered to be in poverty under the current measure (below 60 per cent of the median income) are growing up with an addicted parent or are addicts themselves.

In fact, as the report rightly points out, 'the majority of people with drug dependency live above the poverty line'. But this demonstrates precisely why the current measure is so inadequate. In spite of everything we know about the destructive nature of addiction, it

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<sup>11</sup> The Children's Society, 'Cash for Kids Appeal' [accessed via: <http://www.childrenssociety.org.uk/cashforkidsappeal> (22.04.13)]

<sup>12</sup> Department of Health, *United Kingdom Drug Situation*, London: Department of Health, 2011

<sup>13</sup> Copello et al, 'Family interventions in the treatment of alcohol and drug problems', *Drug Alcohol Review*, 2005, 24(4): 369-85

<sup>14</sup> Barnard M & McKeganey N, 'The impact of parental problem drug use on children: what is the problem and what can be done to help?', *Addiction*, 2004, 99, 552-559

<sup>15</sup> Department for Work and Pensions, 'Public Views on Child Poverty: Results from the first polling undertaken as part of the Measuring Child Poverty consultation' [accessed via: [http://statistics.dwp.gov.uk/asd/asd1/adhoc\\_analysis/2013/public%20\\_views\\_on\\_child\\_poverty.pdf](http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2013/public%20_views_on_child_poverty.pdf) (22.04.13)]

assumes that because a child grows up in a household with an income more than 60 per cent of the median, they will be fine. The current income poverty measure does not capture whether a child grows up with an addicted parent and this is wrong because a child's life chances can be blighted far more severely by growing up with an addict than growing up in a family on a low income.

### **MYTH 3**

*'They' are not really poor – they just don't manage their money properly*

Treating 'the poor' as one homogenous group is naïve. There are individuals across the whole income scale who struggle to manage their money properly; some of them are poor and some of them are not. Others manage their finances extremely well.

The CSJ agrees that the poor can manage their money well and this is why we support the Government's Universal Credit reforms. They will introduce greater independence for individuals and mirror working life as, for example, Housing Benefit will generally be paid monthly (rather than weekly) and payments will go straight to the individual (not a landlord). This is a positive change as we know most people want to work and can manage their money well.

The report rightly highlights the injustice of the 'poverty premium' which the poor face when it comes to buying goods and services. The move to monthly payments under Universal Credit will help tackle this 'premium' as it will be easier for claimants to opt for cheaper methods of payment such as direct debit. Rather than slam these welfare reforms in general and unhelpful ways, the Churches should welcome greater ambition for those on low incomes.

### **MYTH 4**

*'They' are on the fiddle*

The report argues that the level of benefit fraud is low. Yet it fails to mention that the level of error is very high. Together, fraud and error cost the taxpayer £3.4 billion in 2011/12.<sup>16</sup> This is no small sum. At a time when the public finances are extremely tight, taxpayers have a right to question why so much money is being lost. A £3.4 billion investment to expand childcare, improve relationship support or enhance back-to-work support for the unemployed would undoubtedly represent a better return on taxpayer's money.

However, rather than blame claimants for the levels of fraud and error, the CSJ places much of the blame with our complex benefits system. A system which offers very poor financial incentives to help people into work has also created an exceptionally complex benefit system which claimants and advisers alike struggle to make sense of.

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<sup>16</sup> Department for Work and Pensions, 'Fraud and Error in the Benefit System' [accessed via: [http://statistics.dwp.gov.uk/asd/asd2/index.php?page=fraud\\_error](http://statistics.dwp.gov.uk/asd/asd2/index.php?page=fraud_error) (22.04.13)]

For instance, our report *Dynamic Benefits: Towards welfare that works* highlighted how the DWP issues 8,690 pages of guidance to help its decision-makers to apply DWP benefits, with a further 1,200 pages covering Housing and Council Tax Benefits.<sup>17</sup> Reporting any change in circumstance is time-consuming and can jeopardise stable payment of benefits. Any such change, for example an increase or decrease in earnings, requires multiple forms to be filled – in some cases up to 10 forms and 1,200 questions. It is therefore unsurprising that error in the system remains a problem.

## MYTH 5

*'They' have an easy life*

It is important to avoid generalisations when discussing the generosity of benefits. It is vital to be clear which benefits we are talking about and who is actually benefitting.

For example, the current level of support provided by out-of-work benefits like Jobseeker's Allowance (JSA) is not excessively generous, at around £71.70 a week for a single person over 25.<sup>18</sup> However, this only accounts for a fraction of the overall population claiming benefits.

By contrast, life on benefits can be easy for some, because they do not actually need them in the first place. The expansion in the number of people eligible for Tax Credits is an alarming trend which illustrates this well. By 2009, an astonishing nine out of ten families with children were eligible for Tax Credits.<sup>19</sup> As Figure two shows, 10 per cent of spending on Tax Credits goes on the wealthiest half of the population. Families in the ninth income deciles can qualify for state support through the Tax Credit system. This is not a socially just use of public money.

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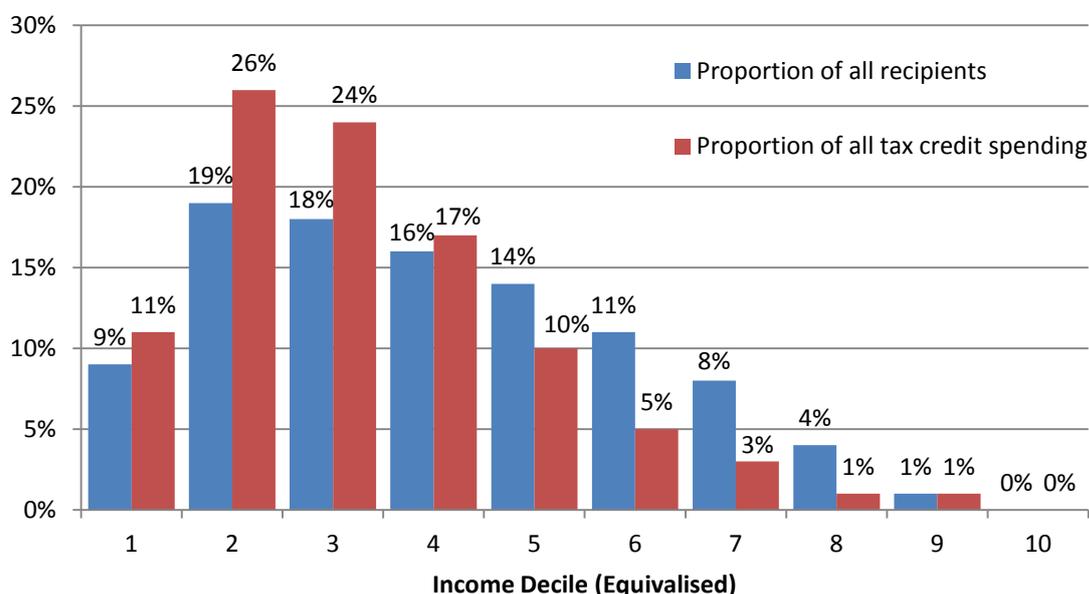
<sup>17</sup> Centre for Social Justice, *Dynamic Benefits: Towards welfare that works*, London: Centre for Social Justice, 2009

<sup>18</sup> Gov.UK, 'Jobseeker's Allowance' [accessed via: <https://www.gov.uk/jobseekers-allowance/what-youll-get> (22.04.13)]

<sup>19</sup> Gov.UK [accessed via:

[http://webarchive.nationalarchives.gov.uk/20090215180949/direct.gov.uk/en/parents/childcare/dg\\_4016029](http://webarchive.nationalarchives.gov.uk/20090215180949/direct.gov.uk/en/parents/childcare/dg_4016029) (22.04.13)]

Figure 2: Distribution of Tax Credit recipients and payments across working-age family income deciles<sup>20</sup>



The amount spent on Housing Benefit has also expanded enormously in recent years and now accounts for almost £24 billion (10 per cent) of the overall welfare budget.<sup>21</sup> The excessive generosity of the Housing Benefit system (fuelled in large part by a shortage of affordable housing and rising rental costs) has enabled people to claim vast sums. In extreme examples, this has been up to £100,000 in rent per year.<sup>22</sup> This has effectively trapped people on benefits because they rightly fear that they will suffer a reduction in support and be unable to pay for their current housing costs if they move into work or increase their hours.

If we accept that work is the surest route out of poverty, then designing a system of support which entrenches dependency and makes the financial cost of leaving the benefit system so high is totally unacceptable.

## MYTH 6

*'They' caused the deficit*

The poor are not responsible for causing the deficit. However the decision by the previous government to increase welfare spending by around 60 per cent in real terms (and 40 per

<sup>20</sup> Resolution Foundation, *Creditworthy*, London: Resolution Foundation, 2012

<sup>21</sup> Department for Work and Pensions, 'Benefit Expenditure Tables' [accessed via: <http://statistics.dwp.gov.uk/asd/asd4/index.php?page=expenditure> (22.04.13)]

<sup>22</sup> Freedom of Information request 968/2011, May 2011 [accessed via: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/182983/foi-968-2011.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182983/foi-968-2011.pdf.pdf) (22.04.13)]

cent in real terms for people of working age) was an extremely expensive one.<sup>23</sup> The report notes that ‘the proportion of national income spent on welfare has remained surprisingly constant over the past two decades’. The truth is that, with a booming economy, it should have fallen substantially as a proportion of GDP.

We would challenge the previous government over whether its significant increase in welfare spending delivered value for money. We do not believe it did. One reason for this is that between 2004 and 2010, the previous government spent £150 billion on Tax Credits alone.<sup>24</sup> Yet this resulted in only a one percentage point reduction in child poverty.<sup>25</sup>

This was a misguided approach which assumed that poverty is simply about a lack of money. While income is an important factor, poverty is a complex and multidimensional concept and simply writing a higher welfare cheque is not the most effective way of tackling the problem.

## **Conclusion**

Debates over poverty and welfare reform have rightly dominated the political discourse recently and continue to spark passionate argument from across the political spectrum. But seeking to dispel myths by introducing further myths is no way to conduct social policy. The Government’s approach to welfare reform is by no means perfect. Yet framing every welfare reform simply as an ‘attack’ on the poor or as an attempt to dismantle the welfare state demonstrates a complete lack of understanding of what these reforms represent.

After decades of mis-management which left millions of people of working age on the scrapheap throughout the boom years, the Government is right to reform a system which ultimately has short-changed the poor. For too long a government’s compassion has been measured by the size of its welfare cheque. These reforms, with the Universal Credit at its heart, will not be easy, but signify an attempt at last to tackle the root causes of welfare dependency and poverty. Anyone who has a genuine concern for the plight of the poor should be engaging with these reforms, not dismissing them.

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<sup>23</sup> Hansard, Oral Answers to Questions – Work and Pensions, 28 January 2013 [accessed via: <http://www.theyworkforyou.com/debates/?id=2013-01-28c.657.4> (22.04.13)]

<sup>24</sup> HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families’ Lives*, London: HM Government, 2011

<sup>25</sup> Department for Work and Pensions, ‘Households Below Average Income (HBAI) 1994/95–2009/10’ [accessed via: <http://research.dwp.gov.uk/asd/hbai/hbai2010/index.php?page=chapters> (22.04.13)]