

Robbing Peter to pay Paul? The government, the benefits system, and pensioners

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When Iain Duncan Smith resigned in March, he did so over Budget proposals to cut certain benefits which he saw as hitting those of working age, while leaving intact those given to 'better off pensioners'. This is not an either/or situation, explains [Melanie Henwood](#); in fact, such a simplified approach presents the needs of older, and often disabled people as a burden to younger generations. The government certainly need to revisit the benefits system, but must do so through proper consultation and not through divisive rhetoric.



The brouhaha over the resignation of Iain Duncan Smith over plans to cut benefits including reductions to Personal Independence Payments (PIPs), and David Cameron's reported fury at the behaviour of the former Work and Pensions Secretary, raise multiple issues. Certainly these have been rocky times for the Conservative government, and the confusion about the implementation of the Chancellor's spending plans for welfare benefits questions the government's grip of key policy presentation.

The government has apparently backed down (at least for the time being) on their planned reductions to [PIP](#) – a benefit that helps those aged 16 to 64 who incur extra costs due to long-term illness or disability. But the confusion over whether or not the changes would go ahead that followed [Nicky Morgan's comments](#) on 'Question Time' was extraordinary, and only forced to conclusion by the pre-emptive departure of Iain Duncan Smith. IDS has long argued for 'the advancement of social justice' and his resignation was made over his conclusion that cuts to benefits for disabled people were 'a compromise too far'.

[His resignation letter](#) advanced two arguments, which raise related but different issues. On the one hand he stated cuts would have been fairer to those of working age and to young families if the government were to also reduce benefits given to better off pensioners. On the other, he argued the cuts to benefits "are not defensible in the way they were placed within a Budget that benefits higher earning taxpayers". He concluded by asking the Prime Minister to look again "at the balance of the cuts" and reconsider whether enough is being done to ensure 'we are all in this together'.

Yet arguing that the highest earners and better off pensioners are benefiting disproportionately from the Budget and are not paying their share raises much bigger and more complex issues, and should not be conflated into a single argument about 'fairness'. The danger is that this becomes abbreviated into a divisive argument for robbing Peter to pay Paul within the benefits system, while seeing the interests of older people as a threat to those of younger age groups. This is a dangerous and unhelpful narrative that creates the preconditions for inter-generational rivalry and plays into the easy point-scoring of those who wish to present the older generations as a burden. This is a recipe for demographic despair that will do nothing to foster social cohesion.

Reducing benefits to better off pensioners is typically a shorthand for withdrawing universal benefits such as travel concessions, winter fuel payments, and free TV licences; but the practicalities of doing so are altogether more complex – and indeed costly. Any means-tested benefit is more expensive to administer than a universal one simply because of the logistics and administration. Attempts to withdraw such benefits would also be highly unpopular and politically dangerous. The triple lock on the state pension is also part of this protection, and despite it being a 2015 manifesto pledge, some Conservative politicians are already debating whether it should remain in place.

It is also not possible to generalise about pensioners any more than it is about any other group. Some are very well off; others are relatively comfortable; many are not. Many older people are also disabled but do not qualify for PIP, and others still are also carers for other family members and will have had interrupted employment histories

because of those caring responsibilities. The idea of inter-generational equity needs also to adopt a life cycle approach; retired older people who are out of the labour market have no opportunity to add to their income or savings and so are wholly reliant on pensions and investments. Those are also assets they accrued through their years of work, and the idea that they should surrender them in the interests of fairness to younger generations is misguided. But equally, there cannot be 'sacred cows' in social security and if there is to be shared misery, then at least it needs to be the result of transparent and clear principles and consensus, instead of the muddled and misjudged attempt at cost savings – such as characterised the 2016 Budget.

PIP is costing more than the government expected it to, and more than the benefit it replaced (Disability Living Allowance). The question is what is happening and what are the underlying factors causing this increase. Those need to be the focus of a clear, public review that invites evidence and examines all the issues. No one doubts there are difficult choices to be made, but they need to be the result of proper consultation rather than imposed in what appears to be a grossly insensitive and crude cost-cutting mechanism that targets and alarms disabled people who are trying to maintain their independence.

The arguments that were made about reducing PIP payments appeared to be confused about the role of PIP and the nature of assessment in the first place. The calculation of daily living and mobility points leads to the award of PIP at standard or enhanced rates; the payment is to enable people to participate in daily life and to be able to get about. Needing to use aids and adaptations is a proxy for a level of impairment that is recognised by the points system. The planned reductions concerned people who had received higher points because of a need for pieces of equipment but would not face ongoing additional costs. But the argument that once a piece of equipment is provided people no longer face additional costs totally misunderstands the purpose of PIP, the impact of impairment on social inclusion, and the extra costs associated with disability.

The system is riddled with perverse incentives and irrationality; PIP is still in its very early days and further welfare reform – that incoming Secretary of State Stephen Crabb is said to be in favour of – is not a virtue in itself. Let's have the debate, but let's be clear what is on the table and what the objectives are, and let's stop this divisive and damaging attempt to drive a wedge between generations and cohorts.

About the Author

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