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Five types of complexity

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The idea of simplifying benefits returns periodically to the policy agenda. It was on the agenda in the 1970s, with the Conservative Tax Credit scheme (Cmnd 5116, 1972) and the reform of “Social Assistance” (DHSS, 1978), and in the 1980s with the Fowler reviews (Cmnd 9517-19, 1985). Schemes for radical simplification, like Reverse Income Tax (IEA 1970), the integrated system proposed by the IFS in the 1980s (Dilnot et al, 1984), or Basic Income (Parker, 1988), have proliferated. Most of these schemes founder because they attempt to impose an artificial rationality on a complex environment. As Jonathan Bradshaw argued during the last major debate on the issue, many rules have been introduced to deal with people’s real problems, and if the benefit system has grown unruly, it is not necessarily a bad thing (Bradshaw, 1985).

This short paper is concerned with complexity rather than simplification. Some aspects of complexity are defensible. Some may not be rationally defensible, but they are there anyway, like the weather and the tides, and there is not much hope of changing them. Understanding complexity is essential before we can work out where some simplification might be possible.

In preparing this paper, I spoke informally to several people in local agencies. I have not included details which might identify them.

Intrinsic complexity

Some benefits are intrinsically complex. They can be complex in their conception, structure and operation. These elements cannot really be separated in practice, but it is possible to give examples of each. Complexity in *conception* arises because the benefits are supposed to deal with complex circumstances or problems. Job Seekers Allowance deals with complex circumstances: it requires consideration of employment status, contribution entitlement, and financial status. The Savings Credit deals with a complex problem: people on means-tested benefits are liable to lose the value of occupational pensions or independent income. The Savings Credit means that pensioners who have a bit less than the level of the minimum income guarantee get to keep a proportion of their extra income, and those who have a bit more than the minimum income guarantee get a small extra amount in recognition of their extra savings. Taken together with the Guarantee Credit, this means that people receive more benefit when their income is below the minimum, and to reduce it gradually over a range of income. It also means, however, that the amounts people receive will be difficult to work out; people will have very little idea whether they are entitled, or if the benefit has been correctly calculated; and that people with more money will sometimes get more benefit than people with less.

Complexity in conception overlaps with complexity in *structure*. Some structures are complicated simply because the design of the benefits is complicated, like Housing Benefit and Pensions Credit. But the problems are greatly exacerbated when benefits are intended to

take multiple issues into account: the more elements that are needed to establish entitlement, the more complex a benefit becomes. Housing Benefit, regardless of the details of benefit calculations, depends on consideration of personal circumstances, financial circumstances and housing circumstances. It was described in its day (by The Times) as “the greatest administrative fiasco in the history of the welfare state” (see Kemp, 1984). That, of course, was before the Child Support Agency. Until recently, Child Support required calculation on the basis of circumstances, finance and liabilities of two families - six elements in total. The White Paper on Child Support notes that over 100 pieces of information were required to make an assessment. (Cm 4349, 1999) The intended simplification of those rules has been somewhat spoiled by the development of rules governing departures from the formula, which has added another component element.

Complexity in *operation* is intrinsic when the circumstances which the benefit addresses fluctuate. This is the fundamental problem with means-testing: income can change from day to day or week to week. Unemployment and employment status change with great rapidity, especially in the current labour market. Increasingly the same is true of child care, which is often shared between different adults.

Intrinsic complexity can only be modified to a limited extent. Complexity in conception and structure cannot be responded to without changing the benefit fundamentally. Complexity in operation can be reduced by reducing the number of times an operation has to be performed. That was the argument for the 26-week period of Family Credit and Working Families Tax Credit. Changes in circumstances for Working Tax Credit have to be reported within three months, and others do not, making it rather more complex in operation than its predecessors.

Extrinsic complexity

The second form of complexity is external to specific benefits: it depends on how benefits relate to others. Some complex benefits (like JSA or Income Support) could as easily have been designed as three or four benefits with common rules, and State Pensions really consist of several benefits bundled up together. There are, however, further problems which arise because there are multiple overlapping benefits: the most obvious of those currently concerns the relationship of Tax Credits to the rest of the benefits system.

The central problem concerns the *interaction of benefits*. Some benefits are taken into account when calculating others. The level of Income Support or Pension Credits depend on a calculation of income from other benefits. The Social Fund has to be used for urgent payments when other benefits fail to deliver in time. There is considerable scope for rationalisation here. One benefits officer commented to me that the effect of having different pay days for a series of benefits is to require multiple calculations at points where benefits start and finish. Giving people a standard pay day based on their NI number would remove many of the calculations at a stroke.

There is also a growing problem of *interaction between agencies*. The new divisions of labour in relation to benefits for children should avoid some of the recent confusions, but there are continuing issues to be resolved in the relationship between Tax Credits and income-tested benefits. There has been a recent announcement of the intention to reconcile Tax Credit with Housing Benefit (Rightsnet, 2004), but there are still outstanding issues with Income Support. It is difficult to see how complexity can be reduced here, short of a structural redesign. The balance between agencies has to be thought through; that requires more guidelines, not fewer.

Complex rules

The third form of complexity concerns the rules developed for benefits. Some rules are intrinsic: the points scheme for Incapacity Benefit is (supposedly) a way of establishing who meets the criteria and who does not. Many rules are not intrinsic, but are imposed for a variety of other reasons. There are two main classes of imposed additional rules. One concerns *conditionality*. Some benefits are rationed. The use of age limits for disability benefits or the rules relating to residence extend beyond the definition of the circumstances the benefits are supposed to meet. Some benefits are conditioned morally: rules about voluntary employment and availability for work are illustrative. And there are rules covering deliberate exceptions, such as either rules governing deductions for overpayment, or departures in the Child Support rules.

The other basis of complexity in rules is *administrative*. These are concerned with administrative operations and delivery of benefits. National Insurance entitlements are based in records for the calendar year preceding the financial year: there are many more comprehensible alternatives. The periods over which benefits are paid - weekly or fortnightly, with some daily benefits - are arbitrary. (The French system offers monthly benefits with standard pay days, guaranteed bank accounts, *poste restante* addresses for people on the move and monthly billing by utilities and public sector agencies. This avoids many of the problems associated with shorter periods and lack of “synchronicity”, or common time frames.)

Management issues

Some of the complexities of the benefit system are created not by benefits, but by the management procedures which have been developed to deliver them. The landscape of the benefits system changes like the sands of the desert. Local offices have undergone several recent forms of radical restructuring, most recently including the shift to Job Centre Plus, and the establishment of the Pensions Service. This is far from being the first major change in recent years: the last fifteen years has included agencification, computerisation, the new public sector management, and radical changes in the division of labour between different agencies, including call centres. Both internally within the offices and externally in welfare rights, there is some alarm at the way in which changes have deracinated staff, leading to a loss of expertise in the delivery of specific benefits.

Three changes in administrative procedure have added massively to the complexity of benefits administration. The first is computerisation, where an obsessive pursuit of comprehensive technological solutions has failed over many years to deliver a workable system. There is much less down-time since the system transferred to the Net, but the basic programmes still cannot cope with the complexity of the operations required. At irregular intervals, cases have to be pulled off the computer and worked by hand. “We’re still doing work-rounds”, one benefits officer told me.

The second is file management. The computers cannot store paper copy, which means that there have always to be two files. However, files have to be put into store in a month’s time, even if they are still live: they go either to the regional or the national store. Offices have then to pay to retrieve the paper copy subsequently, which means in practice that they cannot reasonably get hold of them. (The situation is about to get worse - all files are due to “migrate” to central storage: LASA Review, 2004.) If this is done properly, there will be three files for a live case - the computer file, the archived file and the recent paper file

in the office. Understandably, some offices are breaking the rules, and retain the paper regardless. The old system, despite popular preconceptions, did not often lose material from files, but because a file could legitimately be in several places, it was not designed to find them when requests were made. This system makes the files inaccessible to everyone.

Third, there is the growing division of labour between the offices. This leads to confusion about who is responsible for which parts of processing a case. One welfare rights officer described the administration of overpayments, which locally depends on a division of labour between a local office, a regional office and the national agency at Salford, as the “Bermuda Triangle” of benefits.

The claimant experience

There is an aspect of complexity which, though it can be described in terms of benefits, is not attributable to the benefits system at all. From the perspective of claimants, the benefits they receive are often out of step with their personal circumstances. A benefit officer commented to me: “The amount of changing that goes on ... Our customers change so much, they move in and out with people. They’re not geared to it.” Looking at my notes again, I am not sure whether the last comment was about the benefits or about the customers.

The benefits system tends to rest on the assumption that people know what their situation is, and relies on them to report it. Life is not like that. Unemployed people do not always know if they are employed or not. With the growth of marginal employment, such as short term contracts, casual and intermittent patterns of work, this uncertainty has increased. People do not know whether they are disabled: disabled people often have fluctuating physical capacities, combined with a variable appreciation of their own potential or limitations. (This makes survey estimates of the extent of disability notoriously unreliable.) Because child care is so often shared, people are not sure when they are responsible. Because of the problem of determining when relationships begin and end, it is difficult to know whether a person is a single parent.

Income fluctuates; the benefits offices have to recalculate and attribute it to different time periods. Overpayments are actively pursued - in the case of tax credits, without regard to claimants’ ability to pay. From the perspective of the claimant, it is not surprising that sometimes they get it wrong. The focus groups of claimants which I have talked to - small groups which may not, of course, be representative - express feelings of puzzlement, indignation at the imputation of dishonesty, and some resentment.

The benefits which seem to work best are those which are paid long-term, to people in stable circumstances: the examples are State Pension and Child Benefit. This is not just about means-testing. There is a risk of error in any benefit where circumstances change - even in the case of Child Benefit, errors occur because children leave school, move residence between separated parents, spend time with grandparents or leave child care. The idea that Child Benefit is without its complexities was not shared by the Welfare Rights team I spoke to while preparing this paper: Child Benefit was one of their first spontaneous nominations. However, because Child Benefit mainly deals with people in long-term, stable situations, the problems they complained about - long delays in payment, disputes about priority for claims, and the Revenue’s excessive caution about the possibility of duplicate claims - are not usually repeated once the benefit comes into payment.

The scope for reducing complexity

Some kinds of complexity are easier to deal with than others. We cannot ask claimants to live simpler, more orderly lives. Dealing with intrinsic complexity requires a root-and-branch reform of benefits. Dealing with extrinsic complexity is attractive, but only part of the issues can be easily resolved, for example through common claim processes and passporting. The problems of relationships between agencies may have been predictable and avoidable, but that is the way the world now is, and the issues are not going to be settled in near future.

There is much more scope for addressing the other issues - conditionality, administrative rules and administrative procedures. If benefit administrators seriously hope to reduce complexity, increase effectiveness and prevent errors, that is where they need to concentrate.

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