



Work and Pensions Committee

Oral evidence: Bereavement benefits, HC 551-ii

13 January 2016

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Members present: Rt Hon Frank Field (Chair), Heidi Allen, Mhairi Black, Ms Karen Buck, John Glen, Richard Graham, Mrs Emma Lewell-Buck, Craig Mackinlay, Steve McCabe, Jeremy Quin, Craig Williams

Questions 54 - 103

Examination of Witnesses

Witnesses: **Paul Gray**, Chair, Social Security Advisory Committee, **Professor John Ditch**, Social Security Advisory Committee, and **Alison Penny**, Co-ordinator, Childhood Bereavement Network, gave evidence.

Q54 Chair: We normally start off—because I am told to—in this way: by thanking you for coming and inviting you to identify yourselves for the sake of the record. Alison, might you begin, please?

Alison Penny: Thank you. I am Alison Penny and I co-ordinate the Childhood Bereavement Network, which is a national network of about 250 organisations working with bereaved children and their families, and I also provide some secretariat support to the National Bereavement Alliance.

Chair: Welcome back, Paul.

Paul Gray: Thank you. I am Paul Gray, Chair of the Social Security Advisory Committee.

Professor Ditch: I am John Ditch. I am a member of the Social Security Advisory Committee and I have chaired the sub-committee responsible for the independent work programme and, in that capacity, had oversight of our recent report on bereavement benefits.

Q55 Craig Mackinlay: We have a report here, obviously. In fairly easy speak, what are the key features of the changes that are coming in in 2017?

Professor Ditch: There is a long history of support for bereaved people going back over 90 years. Until 2001 it was support for widows. After 2001 it was for all those affected by bereavement. The reforms that are to be introduced in 2017 see a significant simplification of what had become a very complex system. The Government intend to introduce a

bereavement support payment. It will consist of a lump sum that will vary according to the needs and circumstances of the recipient—a larger capital sum for those with children, and a smaller sum for those without—and monthly payments. The significant change is that the monthly payments will be for one year's duration and not until the circumstances of the recipient change through marriage, co-habitation or their dependent child or children coming off Child Benefit.

Another significant change that the Government have introduced is that, in contrast to the previous payment, the new bereavement support payment will be tax free and will also not be taken into account when establishing entitlement to means-tested benefits. The benefit is to be made available only to married people, or to those who were in a civil partnership, and the new bereavement support payment will only be available to new claimants; existing recipients of bereavement support benefits will not be transferred over.

Q56 Jeremy Quin: I would like to understand the bereavement payment, in particular, as it currently exists. There are rules about the contributions made by the deceased through NI. Presumably if someone has had a terminal illness NI payments might have been paid quite a long period before, but that is not a problem provided they made a contribution to NI over a period of time. I am conscious of the fact that in circumstances where there is a terminal illness and they have been cared for by their husband or their wife, there might be a double whammy in a couple in those circumstances. I just want to understand that.

Professor Ditch: Yes. The existing arrangements are a little complicated. Entitlement to the bereavement payment, which is a lump sum of £2,000, is on the basis of the National Insurance contribution of the deceased partner. That is a given number of weeks of contribution over their working lifetime. The other existing bereavement benefits, the Widowed Parent's Allowance and the Bereavement Allowance, are established on the basis of a longer contribution record of the deceased.

Q57 Jeremy Quin: Right. But the bereavement payment is at any point over your working life?

Professor Ditch: Indeed so, yes.

Paul Gray: Just to add to that, one of the simplifications that the new system is bringing in is to simplify and streamline the contribution requirements just to be focused on the last year, rather than the current system that looks at a longer contribution record. So it is still very firmly based on a contributory benefit system, but simplifying to focus just on the contribution record over the last year¹ rather than over a longer period.

Q58 Jeremy Quin: Isn't that rather difficult? If someone has a terminal illness and you are focusing on the year prior to death, if they were ill for a protracted period presumably they will be making no contributions in that year?

Paul Gray: I think that is a possibility.

Jeremy Quin: It seems strange—

¹Supplementary note by witness "The precise new requirement is an adequate contribution record in any one past year, not necessarily the last year".

Paul Gray: If they have a terminal illness and, therefore, are likely to be within the benefit system, they are probably getting credited with the contribution, yes.

Jeremy Quin: That answers the obvious concern. Thank you.

Q59 Craig Mackinlay: Chairman, just to expand on this National Insurance issue, under the current system—I can understand the new system—say you have a very, very young couple who obviously have a very short National Insurance record, having just entering the labour market, would they qualify under the existing rules if they were, say, 19 or 20 and had a child? Would they have built up enough NI to receive this if one of them was to die?

Chair: They would, Paul, wouldn't they, if they had worked the contributory year that qualified them?

Paul Gray: Probably.

Chair: Because on the simplification it is not a formula that none of us could understand who would qualify for benefit.

Paul Gray: Yes.

Q60 Chair: The proposals have much simplified the period of qualification, haven't they? Alison, I am going to bring you in in a minute.

Paul Gray: They also remove an age bar, in that under the traditional system there were limitations on what was available at 45, so a young couple under the old system may well not have qualified for that reason. Under the new arrangements that 45 barrier is lifted.

Q61 Chair: Alison, could you tell us how your constituency has been affected by these changes, please?

Alison Penny: We are concerned about the forthcoming changes, particularly to widowed parents with dependent children. Just picking up on the contribution issues first, we know that about 46% of current claimants of the Widowed Parent's Allowance do not get the full amount, which is generally through not having built up sufficient contributions. About 80% of those on Bereavement Allowance do not get the full amount, and that is partly the age-related conditions and partly the contribution conditions.

The main concern that we have about the introduction of bereavement support payment, as a replacement for Widowed Parent's Allowance, is about the duration of payments. We know that at the moment about 96% of widowed parents claim for more than a year, so that will be a very significant change to those wishing to claim for longer, and those with younger children will be disproportionately affected by the changes, because at the moment they would be able to claim for longer. Widowed Parent's Allowance is claimed until the youngest child stops qualifying for Child Benefit, or if the parent reaches state pension age or re-partners. Our calculations, based on the Government's impact assessment, suggest that 75% of families will be worse off under the changes. That is 88% of those in work and 57% of those who are out of work.

We are very concerned about the withdrawal of the benefit at 12 months after the death. Although it is obviously a useful administrative unit, for the families affected that is the anniversary of the death, so it is already a time of considerable stress, difficulty and

anxiety, thinking back, with big reminders of what happened around the death but also the growing realisation that life has changed forever. So we are very concerned about those ongoing difficulties.

We also know that children's needs continue to emerge and have an impact on their parents beyond a year. Often it is in the second year that the realisation sinks in. The first year is getting through the first birthday or the first transitions, but in the second year life has changed forever and research shows that children's needs often emerge then. There is a late effect of grieving, so children's needs often emerge two or three years after the death, particularly at times of further transition, for example if they are moving up to secondary school, or at other points of developmental change. So we are concerned that so fundamentally repurposing this benefit is going to have a really big impact on families.

Q62 Chair: Before Richard comes in, Alison, when you talked about children's needs changing, we are talking about cash compensation here. Can you link the two together for us?

Alison Penny: Yes. Our concerns relate to families being moved on to Universal Credit, with the associated conditionality requirements, and parents therefore being less available to their children. What we know is that children need consistency and as few additional changes as possible in that period following the death. The best longitudinal studies that we have show that the longer that changes persist, the more difficult it is for children's emotional and mental health. So parents feeling pressured to go back to work before children are ready for them to do so is of concern to us.

Chair: That is wonderfully clear. Thanks.

Q63 Richard Graham: I was just going to ask—I mean nothing is perfect in the world, and no system is likely ever to give anyone exactly what they would always hope for—at the margin and on balance, the changes you have indicated are better for those who are younger than the 45 cut-off point earlier and for those who do not have long NI records, but obviously the money does not go on for so long. Which of those two would you prefer and did you make that point to the Social Security Advisory Committee?

Alison Penny: Those under 45 who have dependent children are currently eligible for Widowed Parent's Allowance. They would not qualify for Bereavement Allowance, but because they have dependent children they would qualify for Widowed Parent's Allowance. So it is not a straightforward gain for the group of under-45s with dependent children; it is only a straightforward gain for those who do not have children.

In terms of the simplification of the contribution condition, I am convinced by the arguments that qualifying for a fuller amount is helpful. I am not completely convinced by the arguments that families need to be able to plan and simplification is helpful in terms of stripping out some of the complexity, because there are lots of other complex things that are going on for families, particularly in terms of deciding how they are going to manage with a sole earner. There are lots of other complexities, so I am not completely convinced that the simplification in itself is sufficient. On balance, we would prefer to see the payments carrying on for a longer period of time. We have come up with a cost neutral—

Q64 Richard Graham: On balance, you would have preferred the system as it was?

Alison Penny: On balance, well, it is difficult to argue that because there is Universal Credit coming in. There are other changes elsewhere in the benefit system that are going to have an impact on widowed parents. We acknowledge that the system needs to be looked at, but we are not satisfied with the current indicated amounts and durations.

On the face of the Pensions Act there is obviously the ability to have a greater amount for those with children, but there is also a facility to make payments over a longer period to those with children. The regulations have not yet been laid, so there is a possibility to have that flexibility in the system.

Q65 Chair: Taking Richard's point, and again thinking about what we might propose, what I thought you were concerned about—there are a number of things, but one of the things you are advocating—was the harshness for the children of the work conditionality rule with Universal Credit. Now at any one time the number of children whose mothers would be affected by these rules is quite small, so the cost of not imposing conditionality in that period would be miniscule, wouldn't it, in the total budget?

Alison Penny: When we made suggestions about extending the period over which conditionality requirements should be eased, the original suggestion was that there would be a six-month easement. The Department then carried out a review of situations in which children might be expected to be distressed, which could include the death of somebody significant in the family—so not just the death of a parent, but also the death of a sibling—and the proposal following that review was that parents, if their children's distress is having an impact on their capacity to look for and take up work, should be able to apply for a one-month suspension of conditionality; one month, once every six months for up to two years. We feel that is probably going to be more trouble than it is worth for families because of the requirements to—

Chair: It sounds quite complicated as you were just explaining it.

Q66 Craig Mackinlay: Alison, obviously £112.55 a week under WPA can extend for very many years if you have younger children. What is the average age of claiming, because it obviously ceases when you declare that you are in a new relationship? There may be a number of years when it is claimed, but do you think there is a difference between what is claimed and the reality of what is going on in people's lives, because that often can be the case? Because it is such a generous and large amount of money per week, do you think there is a benefit loss going on here? What do you think is the reality of years?

Alison Penny: The median claim is five to six years at the moment.

Craig Mackinlay: Five to six years?

Alison Penny: Yes.

Q67 Craig Mackinlay: I would say, just off my head, thinking of a young person, male or female, that it is unlikely that they are not going to be in a relationship within five or six years. I would say it is probably less than that.

Alison Penny: It varies, and—

Craig Mackinlay: Just drawing on your own experience of bereaved people you know, do you think that they tend to get together with someone within five or six years?

Chair: Craig, you are going to get a postbag, I think.

Alison Penny: Can I also pick up on the £112? If you will forgive me, I am just going to leaf through my papers and come up with the calculations that colleagues in the Low Incomes Tax Reform Group have done for us, which have been very helpful. That has shown us what the actual value of Widowed Parent's Allowance is to families at different income levels. To those who have no earnings the actual value is about £39 a week. To those on £10,000 it is about £46 a week. For £20,000 it is £57, and then it rises to £90 for those on £25,000 or over. So it looks a lot but in the pocket it doesn't feel as much.

Q68 Chair: Before we go to Steve, Paul and John, when you were doing your inquiry, on this whole business—I had not appreciated it until Alison brought the obvious point home to me—about the effect on the children of the death of a parent, what response did you have? What were your feelings about protecting the children from this other major effect of conditionality being imposed on the surviving parent?

Paul Gray: I think it is fair to say that was not a major part of our work, and I ought to say that, in general, this is a rather unusual example of our independent work programme, in the sense that we were re-reviewing evidence that had been presented during the original Government consultation, rather than doing a new, further piece of research. But I think the dimension we were most influenced on was the conditionality requirement, where what has emerged from the Government is the proposition of the kind of six-month respite from conditionality, probably followed by a presumption that conditionality applies.

Our recommendation, partly influenced by the impact on children but also by other potential dynamics going on in family situations, was to urge the Government to adopt a flexible approach to the implementation of conditionality after the six-month period. The Government have duly responded to our report, saying, “Yes, of course work coaches and others will seek to apply their discretion in an appropriate way.” I think my reaction to that at this still quite early stage of the roll-out of the conditionality regime under Universal Credit—this is very early days to assess how that is operating—we are very conscious that the pressures and demands on work coaches dealing with a whole multitude of different family circumstances presenting themselves under the new system is going to be quite demanding. The concern in this particular context would be: how well are those front-line staff trained and experienced to deal with the issues and dynamics that flow from the things Alison has been saying about the particular impact of bereavement, particularly on children?

Q69 Chair: For over 20 years now the Government have been trying to eliminate discretion, hasn't they, and made the rules very clear? Yet it is strange that here is almost a reversal of that process, by setting job coaches yet another area that they have to think about, rather than having very clear rules on how long people might be exempted from conditionality.

Paul Gray: To some degree, although I think in quite a lot of other bits of the benefit system we are seeing an increasing use of discretion. Indeed, I would argue that across the piece the clear trend over the last 20 or 30 years—and it is not an issue that dates from the 2015 election, or even the 2010 election; it goes back over the last few Governments—of a very significantly increasing expectation on the back of some basic rules in the system, is

for much more reliance on discretion. That has been a pretty consistent trend in policy under different Governments; looking to put more pressure and incentive on people to get back into work.

Chair: Dead right.

Q70 Steve McCabe: I want to start out with the assumption that the Government have not deliberately set out to penalise widowed parents and their children, so I am assuming that the problems that we are hearing are about the complexity of these changes and some of the transitions. Nevertheless, it is pretty alarming to hear you say that 75% of people will be worse off under BSP than WPA. I think I saw somewhere else in our brief that for some working families that is a loss of nearly £17,000. There is also this issue that has been raised about how Widowed Parent's Allowance will be deducted against Universal Credit and that, if it is on a pound-for-pound basis, as people have suggested, it will be worth nothing; it will reach zero. As I say, I want to assume that that is not a deliberate strategy on the part of the Government. I am assuming that that cannot be any Government's intention. What is the best way to say to the Government, "This is the real problem and this is what you must do to prevent that occurring"?

Professor Ditch: The needs and circumstances of recently bereaved families are such that it is appropriate for there to be an intervention that provides financial support, as well as other forms of support from relevant agencies. It is clear that the package of reforms are intended to improve the system, through simplification and through a better alignment of large sums of money to meet immediate needs and then a phased support over a 12-month period. It is clear that the Government are not seeking to save funds. Indeed, in the three years following the introduction the aggregate sum committed to bereavement benefit support will increase and then it will decline a little. It is not part of a welfare reform agenda. It is not part of a cost-saving agenda.

I think, from the committee's perspective, we do welcome the broad thrust of the reform. Our concerns, as presented to us by stakeholders, relate to the duration of benefits, and there are ways in which it might be possible, within a zero-sum constraint, to meet some of those concerns, but there is no perfect system and there will always be exceptions and difficult circumstances for those who are bereaved.

Q71 Steve McCabe: I accept what you say and that is fair enough, but what I am trying to establish is this: what is the best way of ensuring that we don't have people losing £17,000 and we don't have the value of WPA eroded to zero? What do you need to do to prevent that occurring?

Alison Penny: We had a few suggestions about the specific point about the interaction between Universal Credit and Widowed Parent's Allowance. This is going to affect people who are bereaved before April 2017, so on the legacy system. Our concerns about interaction with Universal Credit are that, as you say, it reduces the benefit entitlement pound for pound, so it is of nil value. Also, because Widowed Parent's Allowance is taxed, some families will also lose. If they claim both benefits they will be losing about £8 a week, which means that any CAB advisers, or anybody else giving them advice, will have to give them the perverse advice that they should not claim Widowed Parent's Allowance. It sounds incorrect and it will be difficult for advisers to think about doing that.

Some suggestions that we had about how that could be mitigated—this is specifically for those on the legacy benefit— were on disregarding Widowed Parent’s Allowance from income other than earnings, or it could be a partial disregard, or it could be treating Widowed Parent’s Allowance as earnings, which sounds a bit odd but that would mean it could be tapered at 65% rather than 100% and set against the work allowance, or there could be a widowed parent’s element in Universal Credit, which would be the equivalent of the carer’s element. So those were some of the suggestions that we had about that. In relation to that size of loss, that loss of up to £17,000 is for families making the median claim at the moment.

Going back to the point about 75% of families being worse off, we think that—

Q72 Chair: Alison, when you say “worse off”, people are not going to be worse off; it is that they will not be treated in the same way as people who previously would have qualified—

John Glen: They are not having money taken away from them, are they?

Alison Penny: Yes, so those individuals would be worse off under the new system than they would have been had the person died before. Sorry, I should have qualified that. Thank you.

Q73 Chair: John, when you said that they are no savings in this, there are, aren’t there? I am not saying that the Government should not be about savings. At the start of the Blair Government we were doing welfare reform and we had instructions very clearly from the Treasury of what we were to save. It was about welfare reform, and we were doing so badly that Paul was sent over to the Treasury to become Second Permanent Secretary and put some discipline into us. Isn’t that right, Paul? But it was all debated as welfare reform.

Paul Gray: I think that is a rather interesting interpretation of history, Mr Chairman.

Q74 Craig Mackinlay: Yes, we are getting ourselves into a bit of a fizz about the interaction with Universal Credit, but the type of people who are on Universal Credit now, before 2017, are very specific, and usually single claimants. So what are the numbers that in reality are going to face this withdrawal rate of potentially 100%? I am wondering if we are getting ourselves into a bit of fizz about this when I think the numbers involved will be incredibly small.

Alison Penny: Even if the numbers are small—I am sorry that I have not modelled it, but I can go away and do that and send it to the Committee—it will be a significant impact on them.

Craig Mackinlay: Because there will be very few married or joint claimants on Universal Credit before 2017 anyway.

Chair: One of the interesting points is that when Lord Freud was before us he said—

Craig Mackinlay: But it would be interesting—

Chair: —by that figure we were going to be 100%. But let’s move on.

Paul Gray: Could I just add a point on Mr Mackinlay's comment? I think you are right; by the time we get to 2017 on the latest Universal Credit roll-out there will not be many affected, but clearly, assuming Universal Credit does progressively roll out over the following few years, the more complex cases will come in and there will be people on the legacy bereavement benefits who progressively will be. So we might be talking 2018, 2019 or 2020, so it will be a growing issue.

Q75 Mrs Emma Lewell-Buck: Hi. As you are aware, the current payment and then the new ones that are proposed do not apply to couples who have been cohabiting with children, so—because I imagine it is quite complex to do—does the panel have any ideas about how you could address that unfairness? Also, how many people roughly are affected by this? If you had a snapshot in time, how many people have lost out on this benefit because, despite living together their whole lives and having children, they have not been married or been in a civil partnership?

Professor Ditch: There is a simple way, but it is not a cost-free way: to extend entitlement to all those who were previously living together. There is a framework within which that might be taken forward, and that is the application of the family test. That is a matter that the committee did consider, and we requested that the Government reflect further on their decision not to extend entitlement to cohabiting couples. It is not for the committee to pursue that further, but there are some ways, within the constraints that the Government have specified, for benefits to be extended. It might be possible for some adjustments to be made, for example by reducing the capital sum and phasing the resource over a longer period of time or making it available to cohabiting couples, particularly those with dependent children. But it is not a cost-free exercise.

Q76 Mrs Emma Lewell-Buck: How much? Could you put a cost on it?

Professor Ditch: No, I am afraid I couldn't.

Q77 Ms Karen Buck: I was just wondering on the numbers whether there was a timeline that would show the proportion of all couples who would be potentially entitled to this benefit so we could see how that has changed over time as patterns of relationships have changed. Also, a little bit at the margins, what is the impact of civil partnerships?

Alison Penny: We could probably do that. I think 32% of babies are born to unmarried but cohabiting partners at the moment, so we could use that as a proxy, although presumably some of the couples will then go on to marry. In terms of the practical ways of addressing it, eligibility could be determined by having previously had a joint tax credit or UC claim, or it could be that the Child Benefit main claimant has changed because of the death. The Armed Forces Pensions Authority has a series of questions that it would ask to determine whether somebody was an eligible partner rather than a married partner.

Q78 Chair: Surely that is the key point, isn't it? If people have declared that they are partners for claiming other benefits before death occurred, surely that ought to be the basis for determining whether they would be eligible for this benefit. In a sense it meets Craig's earlier point that if people are fiddling—they are in a partnership for benefit purposes—you would not expect them to be able to qualify for the bereavement benefit. But if they have

been above board and it has been absolutely clear, surely that could be a ground rule for taking up Karen's question.

Paul Gray: It certainly could be, but the issue that this focuses on is that we have this rather curious interaction between the parts of the benefit system that are contribution-based and those that are means-tested. So the Government's response to our recommendation to reflect further on whether something could be done for unmarried partners is the straightforward response that contribution-based benefits have always only recognised marriage, or in more recent years civil partnerships. Whereas when we are talking about the interactions with Universal Credit and so on, we are talking about the means-tested part of the system, where obviously there is a kind of long history of focusing on living together as husband and wife and taking into account the position of those who are not married. So you have these two traditions in the benefit system clashing at this point.

Q79 Richard Graham: Paul, if, as you said, this is not part of the welfare reforms, this does not start with "How can we save X billion pounds?" and if broadly the outcome is that there is an increase in costs for three years and thereafter a slight dip, what we are really discussing is whether there are tweaks that could be done within what I think you refer to as a zero-sum cost envelope, which I think means cost-neutral. Therefore my question, Alison, is this: have you submitted the things that you would like and has Paul and his committee been able to work out whether any of those are, first, feasible and, second, cost-neutral?

Alison Penny: Our chief recommendation in terms of ways in which the cake could be cut differently is about changing the structure of the payment for those with children.

Q80 Richard Graham: So less lump sum and greater—

Alison Penny: Slightly less lump sum and smaller monthly instalments, but paid over a longer period. We were suggesting that the instalment element of bereavement support payment for those with children could be paid for a longer period, which we calculated would be, on average, about 2.6 years, at an additional overall cost of £9.4 million a year once it was fully up and running. That £9.4 million could be met by bringing the monthly rate for those with children down closer in line with what Widowed Parent's Allowance feels like in the pocket at the moment. So £44 down from the current suggestion for the bereavement support payment and also slightly reducing the lump sum. For those with children we would suggest reducing it down from £5,000 to £4,800, and for those without children down from £2,500 to £2,225, and that would be a cost-neutral way of—

Chair: Alison, we are going to come on to this in a moment with Heidi.

Q81 John Glen: Alison, could I just return to the issue of the children of unmarried couples, because you have said that the effect on children is significant and can last beyond the first year? It seems to me that we are in a position where, because of the attachment to the principle of marriage, we will give benefits to the surviving partner who was married without any children but we will not give anything to people who could have been in a relationship for 10 years with two or three children. It is the children I am concerned about there. That is a strange way to deal with children who clearly have no role in determining their parents' marital status, isn't it?

Alison Penny: Indeed, and even without thinking about the eligibility of unmarried partners and the impact on their children, the changes that we will see in the bereavement support payment will change the proportion of the current spend. At the moment the current spend on bereavement benefits is about 65% for those with children, and under the bereavement support payment that portion will come down to about 40%. So it is a very significant redistribution of the available funds away from those with children.

Q82 John Glen: They are the principal losers in this.

Alison Penny: Yes.

Q83 Chair: Alison, we will debate this afterwards but also in the report. If you are a couple living together, and the school knows that and you declare it for tax credit purposes, it would not cross my mind to think, “My widow might not qualify under my National Insurance contribution” because of those rules. It is the National Insurance side that we ought to bring up to date, isn’t it, and not penalise the children?

Alison Penny: You are absolutely right. The levels of expectation that common law marriage exists are very high. When we were preparing our response to the consultation a few years ago, we heard some awful stories about couples where one parent had been ill for a long time, there was time to get married and they did not know that they needed to. That has had a significant impact on the children.

Q84 Jeremy Quin: Just to be certain that my understanding is correct, when someone in receipt of WPA remarries or enters into a relationship, that is when the WPA ceases. When it was first introduced decades ago, that was a natural and understandable thing. Has there been much discussion about whether that is still up to date and appropriate in current circumstances? It is really a question to Paul; whether the committee has considered it?

Paul Gray: In a sense, one can see that being reflected in part of the proposals for the new system, where in a new relationship the money will not now be taken away, but under the new system, of course, we are talking about payments lasting only a year, rather than potentially a longer period. I am not aware if the Department has thought about modifying, under the legacy benefits, the arrangements. My assumption is that in coming together with its proposals following the consultation, as we were discussing earlier, it sought to come up with a package that is broadly revenue neutral over time, or slightly up and slightly down at the margin anyway. Limiting that restriction to those who are still on the legacy bereavement benefits would presumably add to the costs. I am afraid I do not have an estimate.

Q85 Jeremy Quin: But the legacy benefit goes for a considerable period, as you discussed?

Paul Gray: Yes, indeed.

Q86 Mrs Emma Lewell-Buck: If we just go back to my earlier question, does anyone on the panel have a rough idea of how many people are affected by this in any one

year in a snapshot? For couples who cohabited and one of the parents passes away and there are children who are not eligible, how many people are we talking about here roughly?

Alison Penny: It would be up to 32% but, I am sorry, I do not know. We tried to work out a better way of estimating it, but the best way we could come up with was by looking at the proportion of children who are born to unmarried and cohabiting partners, which is about 32%.

Q87 Chair: It is not those who will lose, it is those who are at risk of losing that figure, isn't it?

Alison Penny: Yes.

Paul Gray: Yes.

Professor Ditch: I do not think there are any accurate figures. We know that about two years ago 190,400 people died in the UK, 156,000 of whom were retired, which means that there were about 45,000 who were of working age. Let us assume that 80% of them are married and that about a third are in a relationship, of whom about a third are unmarried. I suspect that the third is a high figure, because although a third of births might be classed as—to use the old term—out of wedlock, many parents do get married not long after a child is born. We are talking about relatively small numbers, relatively.

Q88 Chair: That makes change even easier, doesn't it?

Professor Ditch: I could not possibly comment.

Alison Penny: Could I just come back again on those numbers? We are a little bit concerned about level of take-up of Widowed Parent's Allowance generally. There are no statistics collected about the number of children affected by parental death each year. We do collect figures on the number of children affected by the divorce of parents, but not by the death of parents. So there is no way of looking at it from administrative data. We have calculated at the Childhood Bereavement Network that we think between 22,000 and 24,000 parents die each year leaving dependent children, but we know that the number of widowed parents who start a claim for Widowed Parent's Allowance each year is about 8,000. Even if we think about those that would not be eligible because they were not married, it still looks to us as if there is a discrepancy in take-up, so we are a bit worried about that.

Chair: We are going to come on to that in a moment. Heidi, do you want to probe further?

Q89 Heidi Allen: Most of my questions have been answered. Alison, you based your calculations on trying to keep things cost-neutral, and you came up with a formula of 2.6 years. That is obviously to make sure it does not cost anything. Do you have a feel for how long would be an acceptable length of time because it seems that everybody is agreeing that a year just is not long enough? Perhaps not now, but could you come to us with what that cost would be? Clearly there would be a cost if you think 2.6 years is a compromise.

Alison Penny: I could certainly come back with figures. When we started our work on responding to the consultation and then supporting those who were working on the Pensions Bill, we initially suggested five years, or until the youngest child had completed two years at school, as a period that would allow for those transitions and allow the parent

to support the child through the kinds of development issues that might emerge. I can certainly model those figures for you at the—

Heidi Allen: I might be completely wrong, but I am hopeful that it will not be that much. Not getting political, but given the Prime Minister's speech yesterday about how important early years are, how many pounds are we talking about?

Q90 Steve McCabe: I just want to ask about this issue about cohabiting parents. I was just curious to know about the role of the advisory committee and whether it ever asked the Government why cohabiting parents are connected for the purposes of Universal Credit but not for this and what the Government said? It seems to me a very obvious question, so I just wonder whether you have ever asked it and what you have been told.

Paul Gray: I do not think we have asked that directly.

Q91 Steve McCabe: Did it never occur to you?

Paul Gray: No, it is not that it never occurred to us; I think probably the main reason is that what we have seen over the last 20 or 30 years is a very significant reduction in the relevance of contributory benefits within the overall benefit system. So certainly, in terms of in-work benefits, Universal Credit in a sense is bringing to a natural conclusion a transition, which has been going on for a long time, away from a contributory base to a means-tested base.

What I think is interesting about this reform is that bereavement benefits are now one of the last bastions, if you like, of the traditional contributory system. If you recall Beveridge, they were one of the key elements in his contributory system. It tends to be a bit of the benefit system that has not been looked at very much, which was in a sense the reason—rather unusually as a committee—we thought we would just try and shine a light on this thing. It brings into much sharper focus that there are still these inconsistencies, and possibly bereavement benefits is the one where it is now most obvious because the inconsistencies disappeared across most of the in-work parts of the benefit system. So it is not that we have been completely neglectful on the point, but it is a helpful kind of reminder that there are some areas, and this is a particular one, where there are some quite interesting inconsistencies given the historical trend we have been observing.

Q92 Chair: It does not mean to say we should scrap the insurance base for this, does it? It just means that we should adapt the insurance base to how people live their lives?

Paul Gray: Indeed. From the Government's perspective, one can clearly see that there is a concern if you are now talking about 32% of the caseload with children who are not covered by the current system, they would be worried understandably about the cost implications of bringing them in. But, as Alison has pointed out, there are ways in which one could try and look at this in a way that is broadly revenue neutral.

Q93 Craig Williams: We touched a bit on the bereavement payments and how they interact with the benefit system. I wonder whether you could, just for clarity, explain how they currently interact with the benefit system and how they interact with the changes coming in.

Paul Gray: The main issue is that under the existing system there is, as Alison has been describing, a significant offset to the current bereavement payments for those who are in receipt of means-tested benefits. One of the significant changes—and it is a beneficial change—under the new system is that there will not be those similar offsets; people will get their new bereavement payments, and if they are also in receipt of means-tested benefits for up to a year, there will now not be an offset. That is a significant change between the old system and the new system. It is obviously less costly as a concession—if I can use that word—simply because under the new system payments will last only for a year, rather than a much longer period. Were the new benefits to continue for significantly longer, I suspect that the cost, as it were, of there not being an offset would be that much greater.

Alison Penny: We have just become aware of two additional interactions and felt that we need a bit more clarity on them. One relates to people who get the new bereavement support payment and are not yet on Universal Credit but are receiving other means-tested benefits. It would be helpful to have a bit of clarity about what the tax credit implications would be and whether there would be an offset against the tax credits. It is unlikely because it probably would follow the tax status, but it would just be helpful to have a bit of clarity about that.

For the new system of bereavement support payment for those who are claiming Universal Credit, we just have a bit of a concern about some of the changes that are in the current Welfare Reform and Work Bill and the implications they might have. The impact assessment that was carried out for the bereavement support payment was based on Universal Credit as it was structured at that point—particularly the children's element of Universal Credit—so widowed parents who are making their first claim after the death will not get transitional protection. We think between 13% and 16% of families have three or more children.

Q94 Craig Williams: That is the key reason you called for another assessment?

Alison Penny: Yes, another version of the impact assessment.

Q95 Mhairi Black: One of the things that is quite apparent—you touched on this earlier—is that there is quite often confusion between the funeral fund payments and bereavement benefits. Obviously this can lead to people not claiming for what they are quite rightly entitled to. First, how could the Government improve the take-up of bereavement benefits and, secondly, how could they more clearly highlight the distinction between the two benefits?

Alison Penny: Some of the evidence that we have put into the consultation about take-up is based on research that is now a few years old. It predates the introduction of Tell Us Once. Tell Us Once is helping in areas, and DWP's bereavement service is also very good. Many people get good advice and helpful navigation through the system, but not everybody picks up the phone and makes that call. So I think there is more that registrars could do to encourage people to understand the full range of benefits available to them.

Certainly the Department did some research before the consultation, and it found that families who were already in contact with Jobcentre Plus tended to be more aware of bereavement payments, and that was because they were being advised by their work

coaches. The people who maybe do not already have that ongoing contact with Jobcentre Plus are the ones we need to be particularly concerned about. Registrars are certainly a key group, as are funeral directors. The join-up that the Department is suggesting between the bereavement service and Tell Us Once will also help to do that. At that moment when everything is so up in the air and distressing and busy, you sometimes need the information to be given by lots of different routes and lots of different times before you act on it. So there is something about all of those sources needing to do a bit more.

In terms of the clarity about what the funeral payment is for and what bereavement support payment or the legacy benefits are for, we cannot advise people on what to spend their money on. I just want to say one further thing on that figure of 75% of families being worse off. We think that probably more families will feel worse off. You are already taking evidence about the rising cost of funerals, so you will know the proportion of the lump sum that is likely to be taken up by funeral costs. So although 75% of families with children in cash terms will be worse off, we think that a higher proportion will feel worse off because they will be more likely to spend that money on the funeral.

We are also a bit worried about the impact that the increased lump sum could have on funeral costs. Giving a larger lump sum to a small pool of people who will be required to pay for funeral—widowed spouses and civil partners—could have impact on funeral inflation to an even greater degree, which will be problematic for that group but also would be very problematic for the wider pool of people who are responsible for paying for a funeral.

Q96 Chair: That strengthens your point, doesn't it, Alison, for moving from a lump sum to capped weekly payments, so that it is not a stimulus to push up prices?

Alison Penny: Yes.

Chair: Sorry, I interrupted you. Apologies.

Alison Penny: That is my answer.

Paul Gray: Can I just add a slightly broader point on this communication challenge? With the benefit of hindsight, I am not sure that it is something we emphasised enough in our report. You clearly had a very interesting hearing last week with funeral directors and faith representatives. Since we produced our report, the point that increasingly strikes me is that at the point of bereavement you are dealing with people who are very vulnerable, when there is an inability to take on information and make sensible decisions—inevitably, people are at their most vulnerable—and the complexity of this landscape, whether we are talking about the old system or indeed the new system, is very great, as I think some of your witnesses said last week.

I suspect the level of public understanding about which bit of this landscape is meant to cover which type of cost, and what their entitlement is likely to be—including the point about realising the consequences if you happen not to be married—points to the need, as the new system is being rolled out, whether in its present form or with any modifications, for a significant attempt by the Government to improve communication, and not just at the point that somebody is dealing with a bereavement, but also making it much clearer to

people what this new landscape is so that they are rather more encouraged than they are at the moment.

We need to think about how we deal with—this is a slightly unfortunate phrase—end-of-life planning. I am very struck by the fact—this includes also the members of my family circle—that two generations back this was an issue that people were very conscious about; how am I going to have a decent funeral? Partly for some good reasons, as the majority of people become more affluent, this has become less of an issue. But for vulnerable sections of the community there is a need to understand what the limitations are within the system and that there probably is at least an implicit, if not explicit, expectation on the part of recent Governments that there is a significant responsibility on individuals to think about this and that public funding, particularly on the funeral costs element rather than bereavement support payments, has now been limited since 2003, and it does not show any signs of being eased in future. There is a much broader communication challenge here and it would be great if the Government, as part of launching the new system—however it rolls out—did more on this. This is linked to what tends to be a rather constant theme from our committee; that communication about the way the system works is not as good as it could be.

Chair: No. I followed up with Lucy, who gave us evidence last week, on the amount of time she spends trying to guide families through all of this. She takes it on because she thinks it is a vocation. If you went to a funeral and a director did not think it was a vocation, you would not get any of that. Talking to her, I think we are going to be shocked about the amount of time she puts in with the uncertainties of whether you are going to get any monies from DWP towards the cost of the funeral and how difficult it is for her to then negotiate with local charities to fill the gap, when she does not know what the gap is going to be. She now has a group of charities who are very responsive to this and say, “We will make this grant, but if you get the other grant”, and then she obviously does not draw the full amount. It is very time consuming for her, and that is just one player. We will ponder this afterwards, about how the Government might pick up that idea as they try to sell the new system.

Q97 Mhairi Black: Alison, you touched on services such as the Tell Us Once service. We have had some other evidence in which people have said that when they phoned up there was no reference made to the benefits, that the information was not adequate, that they were not given the correct information, and that they felt as though it was there to make sure that they did not claim. Have you had any experience and knowledge of that and, if so, how can you improve that service?

Alison Penny: We consulted with members of WAY—Widowed and Young—about their experiences in relation to your prior inquiry about benefit delivery and talked about how it has been making the claim. One of the issues that was raised there was not in relation to the advice that was being given from Tell Us Once; it was about difficulties making appointments at Jobcentre Plus and needing to take in marriage certificates as evidence and so on. It was about that kind of interaction with the wider benefit system, particularly for those families who had not previously claimed so were not used to making appointments at Jobcentre Plus and attending in that way. There were some concerns about that. We did not pick up concerns about the content of the advice being given from Tell Us Once, but I have heard outside that consultation about the patchiness of response in some areas.

I just wanted to raise that in response to some of the concerns that we had, particularly in relation to people not realising the implications of not being married, not being able to claim and not really knowing about the landscape of bereavement benefits—as one widowed parent himself said, “I had no idea they existed. Why would I until I needed to claim them?” We launched a campaign called Plan If, which is encouraging parents to think ahead about the implications of what the benefits landscape looks like for bereaved parents, but also thinking about writing a will, appointing guardians, so doing the sorts of things that could make life a bit more comfortable and a bit more comforting for their children were they to die before they grew up.

Chair: But even if you made a will with a solicitor, Mhairi, I wonder how many solicitors would know from the detail of what you had put into it that this could have a knock-on effect, not being married, to the National Insurance fund. I should think hardly one solicitor in the whole country would know.

Q98 Richard Graham: Just very briefly to all three of you for a very short answer, we heard some evidence that the costs of providing a funeral have risen much higher than inflation over the last few years. Do you think that the increase in the lump sum through the bereavement settlement is playing a part in that: yes, no or possibly?

Professor Ditch: Not yet, no.

Paul Gray: Not yet, but it could do.

Alison Penny: I would echo that: not yet, but it probably will.

Q99 John Glen: One of the challenges that we had last week was the lack of specificity in the cost on funerals. It is the interaction of the Social Fund funeral payment with the BSP that is of interest because, as I understand it, DWP says BSP is there to deal with immediate costs, as opposed to funeral costs. Could you give us your view of what those immediate costs are? We asked last week to have some breakdown of what the funeral costs are, because if we can get more specific we can then give better guidance and be sure that the money is actually spent associated with real costs in the real world.

The second thing I want to ask is about the use of any proxy to make this process more palatable at a very stressful time for families. Is this benefit more difficult? Notwithstanding the circumstances, is there any way that process could be improved? Could you advise us on that so that we can look at making it easier?

Alison Penny: The first point was about the specificity of how people are spending the lump sum at the moment. The lump sum at the moment is £2,000. Certainly, the evidence that was given in response to the consultation prior to the Pensions Act was that some of that was going on funeral costs, but in some cases it also affords an opportunity to have a bit of time off work, for the immediate aftermath of the death, for time to sort things out. In relation to increasing the lump sum, concerns were raised about the sorts of financial pressures that families might find themselves under, such as if there were disputes about the will, making payments within the family, so that money is disbursed quite quickly to try to settle disputes. People felt that people might also sometimes be under pressure—or, sorry, not under pressure, but would make decisions around, for example, large donations in memory or that there would be other ways in which people might spend that lump sum

that would not help to meet the additional living costs that they had, but that they would be spending it in other ways. There were some concerns about how it would be used. In relation to the point—

Q100 John Glen: Are you concerned that this payment is being put into funeral costs and is not being used to deal with other costs?

Alison Penny: Yes.

John Glen: That is not how it should be. It is not on the letter of what the benefit is, is it?

Alison Penny: No, and the restructuring of the benefit, with the concentrating of it in the immediate aftermath of the death—the Government talked about concentrating it—means that it is likely to be spent on different things.

One of the concerns that we had about the research that was done prior to the public consultation was that it only tracked people for 12 to 18 months after their bereavement, so the sample were all people who had been bereaved within 18 months. Of course, the findings were that people's needs were greater in the months following death. We do not know how long those difficulties were going to persist for those people beyond 18 months, so there were some real flaws, I think, in the way that that evidence was then used to consider the structuring of the payment.

I think we also have to acknowledge that it feels as if there has been a policy shift in the description of what bereavement benefits generally are intended for; whether it is as an income replacement benefit, or whether it is specifically around the additional costs following bereavement. Our argument would be that the additional costs associated with supporting children after a death continue beyond a year.

Q101 John Glen: Sorry for asking so many questions, but on the ease with which you can apply for it, are there any practical suggestions we can make around making it easier for families?

Alison Penny: I think some form of automatic notification to people that they are eligible could be triggered by the registration of the death, and maybe some additional questions that might need to be asked at death registration, but that should not be too problematic. A spinoff of being able to ask some additional questions at registration would mean that we might have better figures about the number of children who are affected by the death of a parent each year, because at the moment our estimates are just that—we do not know those numbers. But if we were getting a bit more information at the point at which families were registering a death, there could be more automatic notification but we would also have better data to track support.

Chair: John, before I bring Karen in, would you like to pick up on that?

Professor Ditch: Yes. There is an issue about the time it takes for a decision to be made for Social Fund funeral payments. I think the Department has a target of something like 16.5 days, and it is bringing down its decision making. It now is, on average, about 17.5 days, but that does not fit with the timetable that most people would wish to have for a

funeral. The result is that individuals are entering into contractual relationships with respect to funeral costs without knowing that they are able to pay for them. I think there is an issue of principle here about whether people have a right to expect that they have a funeral like everybody else has a funeral, rather than always going for the cheapest and most simple, which is hardly consistent with the dignity that death and a funeral requires.

Q102 Ms Karen Buck: Turning back a second to this question of the different competing pressures that the money can be used for, is there a potential contradiction between the purpose of the payment and what Universal Credit will do in terms of rolling forward the bedroom tax and reducing the period in which people will be able to retain their benefit for their property to only 12 weeks?

Alison Penny: We are concerned about the length of time that people will have to make a decision about whether to move to a smaller property. At the moment, families have a 52-week grace period. That is being brought down to three months under Universal Credit.

Q103 Ms Karen Buck: It is not just the decision, is it? It is actually being able to do it. You can make the decision but—

Alison Penny: Yes, absolutely, and whether it is possible for that to be part of the mix of decisions that are having to be made at the three-month point. Yes, it is possible that some of the lump sum could offset the loss that families will experience through the bedroom tax, which we think will affect those families that qualified for a room for an overnight carer. It would specifically be those families where somebody was terminally ill before the death rather than a sudden death.

Chair: Great. That is a brilliant session from you. Thanks, it was really helpful. Thank you very, very much.