

Written evidence submitted by Karen Davies, Chief Executive, Purple Shoots (BSW0002)

The responses below are written from the perspective of the work that we do which is to support people into employment or self-employment through microfinance (small ethical loans to enable them to start a business) and small collectives which encourage upskilling, test trading as well as mutual support. 96% of the people we work with are on benefits of various types and there are a number of issues which arise consistently within the benefits system which actually work against people who are trying to change and improve their lives and escape benefits. Some of these could be changed relatively easily and we have put suggestions in the question on the reforms needed. We are not able to make comparisons between the situation in Wales and other nations in the UK but we hope that our response is still helpful.

Key Challenges for the benefits system in Wales:

- The system is still too complex and there seems to be inconsistent knowledge of what is available – especially any additional support provided by the Welsh Government beyond what is available centrally which many know nothing about
- The system does not encourage people to move into self-employment – in fact it works against them:
 1. They cannot test trade ideas without fear of or actually being penalized and losing benefits – either through sanctions or through a review which can leave people with nothing for weeks.
 2. People on disability benefits are frightened to try earning money in case it triggers a review of their benefits – this works against them trying out whether they might be able to cope with some level of work and forces them to remain entirely dependent on benefits
 3. People on Universal Credit lose 63p for every £1 they earn above a very low threshold when they start a business or move into self-employment. This means that for many months they are no better off than they were on benefits and, unlike when anyone else starts a business, they are not able to build up any reserves for issues within the business, but continue to live hand to mouth as before. This means that if something goes wrong (e.g. machinery breaks down, a customer doesn't pay, a change in rates or utility charges etc) they have nothing to fall back on and often the business will fail. They will be back on benefits and nobody has won!
 4. The level of savings which people are allowed to have or accumulate whilst on benefits is too low and penalizes people who are careful. It is not possible to save up to start a business whilst on benefits so this ensures that anyone who is brave enough to start one starts it with no cushion of funds behind them. We recently had to help a couple who had been saving funds from their new business to ensure they could pay their tax at the year end and their rent – but forced to close in the lockdowns and not qualifying for any of the Welsh Government business support (as was the case for very many sole traders), they

could not claim Universal Credit (their only option) until all their savings were gone. Another example – a man who was made redundant thought he would use his redundancy money to start a business but because it took several months to put together, all his redundancy money was gone by the time he was ready to start his business because he couldn't get any benefits until it was.

5. The New Enterprise Allowance scheme is not enough and drops away too soon

- The system for assessing people with disabilities is stressful, degrading and cruel and needs urgent reform. I have had reports of people with depression being asked why they haven't attempted suicide, people with one leg asked if they can walk upstairs etc. I am outraged at the treatment they receive.
- Carer's allowance is completely inadequate. I have funded many people to start a business who were long term carers and because carer's allowance is so low and they aren't allowed to supplement it with earnings, they were completely impoverished when they approached us for help.

Pre-pandemic, how well did the UK benefits system tackle poverty and socio-economic inequalities in Wales?

- There is inconsistency across our customer base. Some seem to be well-supported and others are really struggling
- For the reasons outlined above, the benefits system prevents people from trying to change or improve their circumstances and holds them trapped
- We see a very high incidence of people resorting to high cost credit providers simply to survive which suggests that the system is not providing a high enough level of financial support

How has the pandemic changed the type and amount of support needed

Amongst our clients, the issues they face are the same. Our experience is that there are bigger numbers of people wanting to move into self-employment and a higher demand for support groups.

Welsh Government's allowances

This is outside our experience – except to say that we do not think that the range of allowances available is widely known.

What reforms are needed?

- People on benefits should be able to have a higher level of savings
- For PIP and other disability benefits, earnings should not trigger a review since they are permitted. People with disabilities should be able to test out earning money.
- People on other benefits should be able to earn small amounts without having to report them and lose benefits
- The 63p for every £1 earned for self-employed people should be drastically reduced or the threshold significantly increased

- NEA should be higher for longer to give people a real chance of succeeding with a business
- Carer's allowance needs review

Effective working between UK and Welsh Government?

I am not sure that I know enough to comment. I have raised many of the above issues with Welsh Government but they have blamed the UK Government and appeared not to take it up with them – but they may have done and just not told me.

Universal Basic Income

I am unsure about this. It may help the carers – and I see many people in poverty who are carers. It could also help the newly self-employed if it replaced UC and NEA.

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