A guide to the Welfare Reform Bill

17 February saw the publication of the government's long-awaited Welfare Reform Bill, setting out the changes being made to the tax credits and benefits system. The devil really is in the detail, with a host of changes being enacted alongside the major reform to the system under Universal Credit. In some areas the government has highlighted that it is difficult to estimate the costs and benefits of the changes, as behavioural responses are difficult to predict – making some areas risky for both government and benefit claimants. Our Universal Credit briefing examines winners and losers under the proposed new system. Here we study the host of other changes in the bill that also lead to winners and losers, based on the government's own figures set out in the Impact Assessments published alongside the Bill.

Housing Benefit

Key issues

- Plans to impose a 10% Housing Benefit (HB) cut for anyone unemployed for more than a year have been dropped.

- The annual increase in HB expenditure will be restricted to a maximum of the consumer prices index (CPI) rather than market rents.

Our response

- We strongly support the government's decision to reverse its intention to cut HB by 10% after one year of unemployment

- It is unclear how the housing market will react to linking HB to CPI and whether rents will decrease. If they do not, HB claimants will lose out.

- Shelter has argued that plans to remove the link between HB and the housing costs people pay will push those seeking work out of their homes and into areas with fewer job opportunities.

Under occupation of social housing

Key issues

- Size criteria will be introduced for working age HB claimants living in the social rented sector.

- One bedroom will be allowed for each person or couple in household except:
  - Children aged 10 to 15 will be expected to share with child of same gender
  - Children aged nine or under will be expected to share with another child aged nine or under, regardless of gender.
- The Department for Communities and Local Government estimates a surplus of three bedroom properties and a lack of one bedroom properties in the social sector. In many areas this mismatch could mean there are insufficient properties to enable existing tenants to move to properties of an appropriate size. Individuals will then have to look further afield, move to the private rented sector, move into work, use savings or take in a lodger.
- One-third (32%) of working age HB tenants in social housing will be affected (as they will be deemed to be under-occupying under the rules set out above).
- One in five (19%) of those affected live in London.
- One-quarter (24%) of those affected are lone parents.
- The regions proportionally most affected (with the highest proportion of affected claimants as a proportion of all working age HB claimants) are the North East, North West, Yorkshire and the Humber, the East Midlands and Wales

Our response

- These proposals could lead to areas where some larger social housing stock may be left empty.
- These proposals could lead to considerable upheaval and financial costs for individual families who have to move, or to reduced incomes for those who stay in their homes and already live on low incomes.
- The regions proportionally most affected include some areas most affected by the lack of economic growth and public sector job cuts. This means it will not be easy for benefit claimants to move into work in some areas.
- Secure tenants in social housing have the right to take in lodgers, and income from the first £20 is disregarded under benefit rules. However,

there may be a risk to lone parents taking in lodgers of being accused of cohabitation as a couple and therefore benefit fraud.

Employment and Support Allowance

Key issues

- The contributory element of Employment and Support Allowance (ESA) will be time limited to one year for those in the work related activity group or WRAG (people can presently qualify for unlimited contributory ESA on the basis of national insurance contributions).

- After the time limit is applied, claimants will be able to receive income-related ESA if they are eligible based on income.

- A total of 700,000 people will be affected by time-limiting by 2015–16.

- Three main groups are affected:

  - 30% who claim both contributory and income-based ESA. This group is likely to face a net loss of £11 per week

  - 30% who will be entitled to income-based ESA when contributory ESA is removed. This group is likely to face a net loss of £22 per week

  - 40% who will not qualify for income-related ESA as they have other income. This group is likely to face an average loss of £89 per week because they no longer have entitlement.

- The 'ESA youth' group is being abolished so that young people aged 16 to 20 (or 25 if in education) in the WRAG can no longer qualify for contributory ESA without meeting national insurance requirements.

- Changes to the ESA youth group will affect about 15,000 young people by 2015–16. Ten per cent of this group will not qualify for income-related ESA because they have a partner in full-time work, capital or with other income.

Our response

- Time-limiting will result in reductions in income for people with health problems and disabilities as they move to income-based ESA or lose entitlement.

Disability Living Allowance

Key issues

- The Personal Independence Payment (PIP) will replace Disability Living Allowance (DLA) from 2013.
- Automatic entitlement based on certain conditions is replaced with a new assessment, based on the impact of an impairment, with regular reviews.
- The DLA mobility component for those in care homes is to be retained until March 2013.

Our response

- The new assessment needs to be closely monitored to ensure that those who need support are being judged as eligible for PIP and that large numbers of disabled people who need support are not losing out
- We welcome the government review of support from DLA against responsibilities of care homes – the government needs to ensure that those in care homes still get financial help to support their mobility. There have been suggestions that local authorities will be able to pick up this cost, however with cuts to their budgets this must be ring-fenced.
- The Citizens Advice Bureau has argued that people who suddenly become ill or disabled should not have to wait six months – double the current waiting time – before getting the new PIP due to replace DLA. It argues that this will result in enormous hardship and serious debt for many people at a time when they most need support.
- Disability Alliance estimates over 750,000 disabled people will lose support as a result of this proposal.
- Action for Blind People has argued that the proposal could mean up to 12,000 visually impaired people losing DLA.

Household benefit cap

Key issues

- Total household welfare payments of working-age out of work households will be limited to £500 per week for couple and lone parent households and to £350 per week for single person households under Universal Credit from 2013.

- Households which include a member entitled to Working Tax Credit, DLA, Constant Attendance Allowance or a war widow will be exempt.
- A total of 50,000 households will have their benefits reduced losing on average £93 per week.
- This affects large out of work families who have three or more children and households in high-rent areas receiving large HB payments, such as London.
- 80% of those affected have three or more children. 40% have five or more children.
- These households will have to move into work, move to cheaper accommodation or a cheaper area, or cut back other expenditure.
- Some households are likely to become homeless.

Our response

- Large families currently have extremely poor incentives to work, particularly given the cost of childcare. The government is proposing cutting their benefits to increase the financial gap between benefits and work.
- This will unfairly penalise those living in high-rent areas receiving large HB payments, such as London.
- Cutting benefit from the poorest households will result in pushing families with children further into poverty and possibly homelessness.

Child maintenance

Key issues

- Measures in the green paper on child maintenance that are currently out for consultation have been included in the bill.
- A gateway is being introduced to ensure parents consider family-based arrangements first – there is no assumption on what type of organisation should deliver the gateway.

- Benefit claimants will have to pay a £50 application charge (£20 up front) to access the full service.

Our response

- The government is seemingly dismissing the ongoing consultation by including proposals in the bill before the consultation process has finished.
- We welcome the proposal to have a gateway to encourage families to resolve child maintenance issues together where possible.
- Who delivers the gateway will be critical to ensuring families are comfortable about using the service.

Conditionality for lone parents and partners

Key issues

- Previously announced changes to lone parent conditionality, that mean that from 2011–12 lone parents with a youngest child aged five and over will no longer be eligible for Income Support (IS) on the grounds of being a lone parent, are in the bill.
- A new claimant commitment for all IS, Jobseeker's Allowance (JSA) and ESA claimants is being introduced as a new condition of entitlement. It will set out the expectation on claimants, requirements and consequences of not meeting requirements. It will be signed before payments are made.
- Partners within couples will have increased conditionality to bring them in line with lone parents – work ready partners with children aged five and over will now be expected to look for work.
- Partners who do not have a health condition will have conditionality increased from a single work-focused interview (WFI) to full conditionality.
- Under personalised conditionality in Universal Credit, couples will need to nominate who is the 'lead carer' of their children.
- A total of 282,000 couples with children and 117,000 couples without children will be affected.

Our response

- It is critical that there is enough childcare available to allow lone parents with younger children aged five and over to move into work.

- The Work Programme needs to meet the needs of lone parents and couples.

- More work needs to be done with employers to encourage growth of part-time jobs for lone parents.

Sanctions

Key issues

- Within the fraud criminal sanctions regime there is a new civil penalty of £50 imposed for claimants who are 'negligent in maintaining their benefit claim' to be used in certain cases of customer error.

- There will tougher sanctions for people if they refuse a job. The new sanctions model is:

  - Failure to meet requirement to prepare for work for JSA and ESA WRAG claimants – 100% sanction until re-engagement, followed by fixed sanctions of one, two, then four weeks (under current system JSA claimants receive fixed sanctions of two, four, 26 weeks and ESA WRAG have only one part of benefit sanctioned).

  - JSA claimants must actively seek work or be dis-entitled as is the case now. Instead of being able to re-apply immediately, no benefit will be payable for a two to three week fixed period. For a second failure, the fixed period will be three months. Under Universal Credit from 2013 it will be four weeks for first failure and three months for second.

  - Failure to accept a reasonable job offer, apply for a job or attend mandatory work activity will lead to payments for JSA claimants ceasing for three months for the first failure, six months for the second and three years for third (under current system these result in variable sanction of one to 26 weeks).

  - For claimants who only have to attend WFIs (mainly lone parents) current sanctions start at 20% of benefit but can reach 100%. This will now be capped at 40% and it will no longer be possible to be dis-entitled for failing to attend first WFI.

- Hardship payments when sanctions are imposed will, for some JSA claimants, be recoverable and non-recoverable hardship payments will be expanded to cover ESA claimants.

Our response

- Having a claimant commitment to make sure that the sanctions message is clearer is a welcome proposal.
- There is a need to monitor how the £50 civil penalty affects vulnerable customers. The government must ensure that the claimant commitment clearly explains how to avoid error and the consequences of error for claimants.
- The claimant commitment also needs to ensure that claimants understand the sanctions process so that sanctions can work effectively as a deterrent and do not penalise claimants who have not understood the system, as this often leads to hardship and anxiety.
- Who is defined as vulnerable and will continue to receive hardship payments which will not be recoverable needs to be monitored.

Appeals

Key issues

- Claimants may be required to apply for a disputed decision to be revised before being able to appeal to a first-tier tribunal.
- Claimants will only be able to make an appeal after receiving the outcome of this reconsideration process.
- If claimants do go on to appeal after applying for a revision this could mean that claimants receive no or lower benefit for longer (with payments backdated if the appeal is successful).
- In terms of benefits where most appeals are made, ESA, DLA/Attendance Allowance and IB have highest rates of appeal currently.

Our response

- This will effect vulnerable claimants with health problems or disabilities the most.
- It could lead to longer periods of hardship.
- The reconsideration process must be delivered quickly.

- The green paper from the Ministry of Justice on reform of legal aid published on 15 November proposed that legal aid will no longer be available for those appealing to first tier tribunals about benefit decisions. The consultation closed on 14 February and the government has not yet published its response. We strongly argue that legal aid should be available to those appealing benefit decisions; this includes some of the most vulnerable in society.

Crisis Loans and Community Care Grants

Key issues

- Crisis Loans will no longer be available as 'alignment payments' for claimants waiting for payment of a new benefit claim. Instead payment on account will allow for an advance of benefit that will be repaid in instalments from future benefit entitlements.

- The Community Care Grant and Crisis Loan budgets (part of the Social Fund) will be combined and transferred to local authorities and the devolved administrations, which will be responsible for delivery of the legal requirement to provide assistance to those facing immediate threats to health and safety.

Our response

- Changes to Crisis Loan alignment payments are likely to affect large numbers of claimants adversely – in 2009–10 around 1.1 million awards were made.

- No work has been done yet to examine in detail the costs of transferring delivery to local authorities and who the most affected groups will be. This work will be critical and we will monitor the details when they are published by the government.

Data sharing

Key issues

- Data sharing powers are to be broadened so the Department for Work and Pensions can share customer social security data with local authorities.

- This will help, for example, when a person moves into hospital or residential care or needs overnight care at home.

Our response

- This should make it easier for customers and prevent delays.