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An Introduction to Welfare Reform

1 Introduction

The purpose of this briefing paper is to provide the Committee with a broad overview of the Coalition Government's plans for Welfare Reform. Sections 2 to 6 of the paper cover the various strands of welfare reform beginning with the June 2010 Budget and Spending Review announcements and moving on to provide an overview of Universal Credit and the proposed reform of Disability Living Allowance, Housing Benefit, State Pension and State Pension Age. The final section of the paper provides a synopsis of the reaction of key think tanks to the various elements of the Coalition Government's welfare reform programme. It is important to mention at the outset that this paper does not in any way claim to provide a definitive account and analyses of welfare reform, it is merely an introduction to the reforms which are wide-ranging and their implications multifarious and complex.

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2 Welfare Reform: the June 2010 Budget and Spending Review Announcements

The Welfare Reform announcements which formed part of the Coalition Government's June 2010 Budget and Spending Review in October have been widely described as the most radical shake-up of the benefits system since the foundation of the welfare state. A new integrated benefit – Universal Credit – will replace the vast majority of current in-work and out-of-work benefits; Disability Living Allowance will be replaced with a new Personal Independence Payment which will include a new 'objective' medical assessment process; and wide ranging new measures will be introduced to reduce expenditure on housing benefit including caps on Local Housing Allowance payments and an increase to the age threshold for the Shared Room Rate.

Accompanying these changes will be the use of the Consumer Price Index (CPI) for the price indexation of benefits, pensions and tax credits; a cap on the total amount of benefits a household can claim; the introduction of a new personal conditionality and sanctions regime; and a package of changes to State Pensions, State Pension Credit and State Pension Age including an acceleration in the pace of State Pension Age equalisation, a rise in State Pension Age to 66 by April 2020 and the introduction of a 'triple lock' for State Pensions, which will be a rise of a minimum of 2.5% or in line with earnings or prices, whichever is greater. This provides just a very broad overview of some of the elements of welfare reform, for ease of reference further detail is outlined in Table 1.

How and when the various strands of reform will be applied to Northern Ireland will ultimately be a matter for the Department for Social Development, the Northern Ireland Executive and the Northern Ireland Assembly. It is important to bear this in mind when considering the Coalition Government's timetabling and implementation of the various strands of reforms that are mentioned throughout this paper. It is the Coalition Government's intention to introduce a Welfare Reform Bill in January 2011 (which will implement the changes in Great Britain).

The interpretation and application of the principle of parity will be crucial, as will the Social Protection Fund announced in the draft Budget 2011-15. In a [Ministerial Statement](#) to the Northern Ireland Assembly on 23 November 2010, the Minister for Social Development commented on the importance of parity to Northern Ireland¹:

“Although social security is a devolved matter, we are constrained by funding issues. Any variance from DWP social security rates and conditions may breach parity. It would be thoughtless folly, therefore, if I, as the Minister for Social Development, took action that put in greater need those already in need. Parity brings a net benefit to Northern Ireland measured in billions of pounds. One figure given to me recently suggests that when the total tax take in Northern Ireland that goes to the Treasury is deducted from

¹ Northern Ireland Assembly Official Report. 23 November 2010. www.niassembly.gov.uk/record/reports2010/101123.htm#2

the total Budget and welfare payments that come across the Irish Sea, the net benefit to the Executive and the Assembly is at least £3 billion. Nevertheless, I believe that the issue of parity should be considered and scoped, although doing that in a rush would hurt those whom we need to protect most over the next four or five very difficult years”

However, the Minister also stated that he aimed to “*stretch the limits of parity in a way that does not prejudice the block grant or those who are on benefits*”. Furthermore the Minister announced that his Department were working with organisations and individuals with key roles in welfare and would also be presenting to the Executive a remedies paper which would include:

“a wider analysis of how we should take forward the issue of social welfare. It will recommend a range of interventions as part of the Budget conclusions on welfare, fuel poverty and housing that the Executive should endorse if we are to be judged favourably and judge ourselves favourably on how we address the severity of welfare changes.”

Table 1: At a Glance - Welfare reform announcements in the June Budget and the Spending Review

	JUNE BUDGET²	SPENDING REVIEW ³ (October)
Child Benefit	A three year freeze on Child Benefit from 2011/12 to help fund significant above indexation increases to Child Tax Credit which the Coalition Government believes is better targeted at low-income families.	From January 2013, a withdrawal of Child Benefit from families with a higher rate taxpayer . The Coalition Government believe that this will save £2.5 billion a year by 2014-15 and will ensure that people in lower incomes are not subsidising those who are better off.
Child Trust Fund	The Coalition Government announced on 24 May 2010 its intention to reduce and then stop Government contributions to Child Trust Funds . It reiterated this point in the June Budget and also announced that the Savings Gateway would not be introduced as the Government believed it was not affordable given the need to reduce the deficit.	
Capping Benefits		From 2013, a household benefit cap of around £500 per week will be placed on couple and single parent households. A cap of around £350 per week will be imposed on single adult households. The Coalition Government state that the purpose of the cap is to ensure that no family can receive more in welfare than the median after tax earnings for working households. All Disability Living Allowance claimants, War Widows and working families claiming working

² HM Treasury. Budget 2010.

³ HM Treasury. Spending Review 2010.

		tax credits will be exempt from the cap.
Contributory Employment and Support Allowance	Time-limiting contributory ESA for those in the Work-Related Activity Group to one year . The Coalition Government believes that this will save £2 billion per year by 2014-15 and will improve work incentives whilst protecting people with the most severe disabilities and those with the lowest incomes.	
Disability Living Allowance	The Coalition Government announces that it would reform Disability Living Allowance to ensure support is targeted on those with the highest medical need. It also announced that objective medical assessments for all DLA claimants would be introduced from 2013-14.	The mobility component of Disability Living Allowance will cease to be paid after an individual has been in a hospital or care home for 28 days (84 days for children in hospital) ⁴ .
Housing Benefit and Local Housing Allowance	<p>The Coalition Government announces that it will introduce a package of reforms to Housing Benefit. This includes changing the percentile of market rents used to calculate Local Housing Allowance rates; capping the maximum Local Housing Allowance payable for each property size; time-limiting receipt of full Housing Benefit for claimants who could be expected to look for work; restricting Housing Benefit for working age claimants in the social rented sector who are occupying a larger property than their household size warrants.</p> <p>From April 2011, Local Housing Allowance rates will be capped at £250 per week for a one bedroom property; £290 for a two bedroom property; £340 for a three bedroom property; and £400 per week for four or more bedrooms.</p> <p>The Government contribution to Discretionary Housing Payments will be increased by £10m in 2011-12 and £40m in each year from 2012-13.</p> <p>From April 2011, Housing Benefit claimants with a disability and non-resident carer will be entitled to funding for an extra bedroom.</p> <p>From April 2013, Housing Benefit awards will be reduced to 90% of the initial award after 12 months for claimants receiving Jobseekers Allowance.</p> <p>[Note: on the 30 November the Coalition Government announced <u>two changes to the timetabling</u> of some of the reforms to provide additional transitional time for existing claimants: All changes that will adjust the way Local Housing Allowance rates are calculated will come into force from April 2011 for <u>new claims</u>.</p>	The Coalition Government announce an increase to the age threshold for the Shared Room Rate in Housing Benefit from 25 to 35 . It believes that this will save £215m a year by 2014-15 and will ensure that Housing Benefit rules will reflect the housing expectations of people of a similar age not on benefits.

⁴ As cited in Department for Work and Pension (2010) Disability Living Allowance reform, p15.

	<u>Existing claimants</u> will continue at their current rate of benefit until their claim is reviewed, they will then have a further period of transitional protection at their current Local Housing Allowance rate of up to nine months if there has not been a relevant change in circumstances ⁵ .]	
Indexation	From April 2011, the Coalition Government will use the Consumer Price Index (CPI) for the price indexation of benefits and tax credits. The Government states that CPI provides a more appropriate measure of benefit and pension recipient's inflation experiences than the Retail Price Index (RPI).	
Maternity Payments	The Coalition Government announce that from April 2011, eligibility for Sure Start Maternity Grant will be restricted to the first child only and that the Health in Pregnancy Grant will be abolished from January 2011.	
State Pensions, Pension Credit and State Pension Age	<p>The Coalition Government will uprate the basic State Pension by a triple guarantee of earnings, prices or 2.5 per cent, whichever is highest, from April 2011. CPI will be used as the measure of prices in the triple guarantee, as for other benefits and tax credits. However, the Government has stated that to ensure the value of a basic State Pension is at least as generous as under the previous uprating rules, the basic State Pension in April 2011 by at least the equivalent of RPI.</p> <p>The Coalition Government also announce that to ensure the lowest income pensioners benefit from the triple guarantee, the standard minimum income guarantee in Pension Credit will increase in April 2011 by the case rise in a full basic State Pension.</p>	<p>The Coalition Government announce a freeze in the maximum Savings Credit award in Pension Credit for four years, thereby limited the spread of means-testing up the income distribution. The Government believes that this will save £330m a year by 2014-15.</p> <p>The Government also announce acceleration in the pace of State Pension Age equalisation. Women's State Pension Age will reach 65 in November 2018. The State Pension Age will then increase to 66 for both men and women from December 2018 to April 2020. The Government states that it is also considering future increases to State Pension Age to manage the ongoing challenges in response to the UK's changing demographics.</p>
Support for Mortgage Interest	The rate at which Support for Mortgage Interest (SMI) is paid is set at 1.58% above the Bank of England Base Rate. It has been frozen at 6.08% since late 2008. The Government maintain that since interest rates have fallen significantly, SMI will, from October 2010, be paid at the level of the Bank of England's published Average Monthly Rate .	The Coalition Government announce the extension of a further year the temporary change to the Support for Mortgage Interest (SMI) scheme, i.e. reducing the waiting period for new working age claimants to 14 weeks and the increase in the limit on eligible mortgage capital to £200,000. These temporary measures were due to expire by January 2011.
Tax Credits	By April 2011, a reduction in tax credit eligibility for families with household income above £40,000 . The Coalition Government announces that further changes to this threshold will be made in 2012-13 to focus tax credits on lower income families. It also announces that it would also increase the rate at which tax credits	By April 2011, a reduction in the percentage of childcare costs that parents can claim through the childcare element of the Working Tax Credit from 80% to its previous 70% level. The Government believes that this will save £385m a year by 2014-15.

⁵ Written Ministerial Statement on Housing Benefit Reform, 30 November 2010.

www.publications.parliament.uk/pa/cm/201011/cmhansrd/cm101130/wmstext/101130m0001.htm#10113032000021

	<p>are withdrawn once household income rises.</p> <p>In his budget speech the Chancellor announces that the Government would⁶:</p> <ul style="list-style-type: none"> • Remove the baby element for new children from April 2011. • Remove the one-off payment to new workers over 50 from April 2012. • Reduce the income disregarded from £25,000 to £10,000 and then £5,000. • Introduce an income disregard for income falls. • Reduce back-dating from three months to one month. • Decline to introduce the pre-election promise of a new tax credit element for infants. <p>The Coalition Government also announces that Frank Field will lead an independent review on poverty which will make recommendations on tackling the underlying causes of poverty. Field's report entitled 'The Foundation Years: preventing poor children becoming poor adults' is subsequently published in December 2010⁷.</p>	<p>A change in the eligibility rules so that couples with children must work 24 hours a week between them, with one partner working at least 16 hours per week in order to qualify for WTC. The Government believe that this will save £390m a year by 2014-2015.</p> <p>A freeze in the basic and 30 hour element of Working Tax Credit for three years from 2011-2012. The Government believes that this will save £625m a year by 2014-15.</p>
Universal Credit		<p>The Coalition Government announces that over the next two Parliaments the complex system of means tested working age benefits and tax credits will gradually be replaced by Universal Credit. £2 billion has been set aside in DWP's Departmental Expenditure Limit settlement over the next four years to fund the implementation of Universal Credit.</p>
Winter Fuel Payments and Cold Weather Payments	<p>The Coalition Government gives a commitment to protect key benefits for older people including Winter Fuel Payments.</p>	<p>The Coalition Government states that it will make permanent the temporary increases to Cold Weather Payments provided in the past two winters so that eligible households receive £25 for each seven day cold spell recorded or forecast where they live (temperature eligibility criteria applies).</p>

⁶ Chancellor's June 2010 Budget Speech. www.hm-treasury.gov.uk/junebudget_documents.htm

⁷ Field, F. (2010) The Foundation Years: preventing poor children becoming poor adults. The Report of the Independent Review on Poverty and Life Changes. <http://povertyreview.independent.gov.uk/media/20254/poverty-report.pdf>

3 Welfare Reform and Universal Credit⁸

“Universal Credit represents a fundamental change for Britain’s welfare system. It will create a leaner but fairer system administered by a single government department delivering support that is integrated and explicitly focused on ensuring that work always pays. It will substantially reduce poverty and, as well as being fairer, the system will also be firmer. The links between benefit payments, earnings and tax will in turn make the system more secure from fraud and error and conditionality will push people to do as much work as is reasonable for them”.

Source: DWP (2010) ‘Universal Credit – welfare that works’

The White Paper, ‘[Universal Credit: welfare that works](#)’ published by the Department for Work and Pensions on 11 November 2010⁹, sets out the Coalition Government’s plans to create a new Universal Credit, an integrated working age benefit which will replace the vast majority of current in-work and out-of-work benefits. The White Paper is influenced by the outcome of the Coalition Government’s ‘[21st Century Welfare](#)’¹⁰ consultation (published July 2010) and by other reviews such as the Centre for Social Justice publication ‘[Dynamic Benefits: towards welfare that works](#)’¹¹. The Government intends to introduce Universal Credit for new claims from October 2013, with a target to complete all existing claims to the new regime by October 2017¹².

In short, the **key features** of the new Universal Credit regime are as follows:

- Universal Credit will be an integrated working age credit that will provide a **basic allowance** with **additional elements** added for children, disability, housing and caring.
- It **will replace** Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker’s Allowance and income-related Employment and Support Allowance.
- For those in employment paid through Pay As You Earn (PAYE), Universal Credit will be **calculated and delivered electronically**, with automatically adjusted credit payments.
- For those in employment, Universal Credit will have a **taper rate of 65%**, meaning that as earnings rise Universal Credit will be withdrawn at a rate of 65p for each

⁸ Unless otherwise stated, information in this section is taken from Department for Work and Pensions (2010) Universal Credit: welfare that works.

⁹ Department for Work and Pensions (2010) Universal Credit: welfare that works. www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/universal-credit/

¹⁰ Department for Work and Pensions (2010) 21st Century Welfare. www.dwp.gov.uk/consultations/2010/21st-century-welfare/

¹¹ Centre for Social Justice (2009) Dynamic Benefits: Towards Welfare That Works: A Policy Report by the CSJ Economic Dependency Working Group. www.centreforsocialjustice.org.uk/default.asp?pageRef=266

¹² Department for Work and Pensions (2010) Universal Credit: welfare that works, p37.

pound of net earnings. There will also be higher earnings disregards for other selective groups to reinforce work incentives.

- The Government has made a commitment that **no-one will experience a reduction** in the benefit they receive as a result of the introduction of Universal Credit.
- Claims for Universal Credit will be made on the basis of households rather than individuals. In line with the Coalition Government announcement in the Spending Review, from 2013 **a cap will be applied to the amount of benefits** a household can receive. This will be set at around £500 per week for couple and single parent households and around £350 per week for single adult households. The Coalition Government has stated that the purpose of the cap is to ensure that no family can receive more in welfare than median after tax earnings for working households.
- The new Universal Credit regime will be backed by a **'strong system of conditionality'** and a new system of **financial sanctions**.
- Linked to conditionality will be the introduction of **mandatory work activity** which will compel some recipients to take part in a four week full-time work programme.

Universal Credit Explained

The table below illustrates the current benefits that will be replaced as part of Universal Credit, benefits that will not be included in Universal Credit and benefits that the Government has indicated will be reviewed.

Universal Credit will replace:	Outside the Scope of Universal Credit:	Benefits under review
<ul style="list-style-type: none"> ▪ Income Support ▪ Jobseekers Allowance (income based) ▪ Employment and Support Allowance (income based) ▪ Housing Benefit ▪ Child Tax Credit ▪ Working Tax Credit 	<ul style="list-style-type: none"> ▪ Disability Living Allowance ▪ Child Benefit ▪ Jobseekers Allowance (contribution based) ▪ Employment and Support Allowance (contribution based) ▪ Bereavement Benefits ▪ Statutory Sick Pay ▪ Statutory Maternity Pay ▪ Maternity Allowance ▪ Industrial Injuries Disablement Benefit 	<ul style="list-style-type: none"> ▪ In-work credit for lone parents ▪ Job Grant ▪ The Social Fund (e.g. budgeting loans may become part of Universal Credit). ▪ Carer's Allowance. ▪ Support for parents with childcare costs. ▪ Mortgage Interest Support.

Universal Credit will consist of a **'basic personal amount'** with additional amounts added for disability, caring responsibilities, housing costs and children. The personal amount will provide for basic living costs and will be broadly similar to the current structure of personal allowances in Income Support, JSA and the assessment phase of ESA. For example, the Income Support Personal Allowance Rate (2010/11) for a

single person under the age of 25 is £51.85 (per week) and £65.45 for those aged 25 and over. A couple with both partners over the age of 25 can claim a personal allowance of £102.75¹³. However, in line with the Coalition Government announcement in the Spending Review, from 2013 **a cap will be applied to the amount of benefits** a household can receive. This will be set at around £500 per week for couple and single parent households and around £350 per week for single adult households. DLA claimants and War Widows will be exempt from this cap.

The upper age limit for Universal Credit will be the age at which people are eligible for Pension Credit, which is currently linked to State Pension Age for women.

Some other **important information** on Universal Credit:

- The **Department for Work and Pensions** will be the single government Department with responsibility for the delivery of Universal Credit. It remains to be clarified how the existing benefit delivery structures in Northern Ireland will be affected.
- Claims for Universal Credit will normally be **made through the internet** and most subsequent contact between recipients and the delivery agency will be conducted online. Recipients will have an online account, recipients will be able to access information about their claim and Universal Credit payments (similar to online banking services). Alternative access routes will be made available for people who do not have access to online services (e.g. by telephone and face-to-face interaction).
- All elements of Universal Credit will be obtained through **a single application** and changes to circumstances (e.g. such as moving into work or having a child) can be reported online.
- The Government are proposing to **pay Universal Credit monthly** to encourage responsibility and to be consistent with the 'real-time earnings approach'.
- Elements of the Social Fund that can be automated, e.g. budgeting loans, will become part of Universal Credit.

Universal Credit: Older People, Carers, Children, and People with Disabilities

Under the new Universal Credit regime, the additional personal amount will be supplemented with additional amounts for disability, caring responsibilities, housing costs and children. In terms of **disability**, the Government believes that "the existing structure of overlapping disability premiums is overly complex and causes confusion". The Government is currently considering what extra support for people with disabilities in Universal Credit may be needed over and above benefits available elsewhere in the system.

¹³ NI Direct - www.nidirect.gov.uk/index/information-and-services/money-tax-and-benefits/benefits-and-financial-support/on-a-low-income-1/income-support/income-support-how-to-claim-and-how-much-you-can-get.htm

Universal Credit will replace Housing Benefit and Child Tax Credit and the Government states that it will consider the approach to be taken to support **people of pensionable age** with the cost of rent and dependent children. The Coalition Government is also considering options for Pension Credit,

“Pension Credit may not be appropriate for all pensioners. Pension Credit is designed for the needs of the majority of low-income pensioners and is not intended to provide in-work support. As pensioners will no longer be able to access help from Working Tax Credit, we are considering an option of allowing those pensioners who choose to extend their working lives to claim Universal Credit, rather than Pension Credit, so that they can take advantage of the tailored in-work arrangements”.

The Coalition Government has stated that it expects around 350,000 **children** to be moved out of poverty as a result of the new Universal Credit regime. Couples with children will get a higher earnings disregard in relation to the reduction of their benefits when they take-up work. Additions for children will be within Universal Credit will be based on those currently provided through Child Tax Credit and will be additional to Child Benefit. The Government has stated that it will consider the structure of support for children with disabilities as it looks at the structure for adults with disabilities.

The Coalition Government has also indicated that it is currently considering how best to support parents with **childcare costs**, e.g. either through an additional payment or an earnings disregard. As a minimum, the Government has indicated that it would be feasible to pay an additional element for childcare on top of the basic Universal Credit award at similar rates to those being offered. However, it is also considering other options such as providing support for childcare through a separate voucher or discount system or recognising childcare through an additional earnings disregard rather than an additional payment. Help with children for people on Universal Credit will be restricted to those in work.

The Coalition Government believes that *“for too long, the current system of carer benefits has failed to meet the different needs of carers and has trapped some people on benefits”*. It has announced that **carers** will continue to be eligible for National Insurance credits for protect their financial position in retirement. The Coalition Government is considering whether changes to Carer’s Allowance will be necessary to take account of the introduction of Universal Credit.

Universal Credit and Housing

An amount will be added to the basic Universal Credit award to help meet the costs of rent and mortgage interest. For those who rent accommodation, the Coalition Government has stated that this will be “similar to the support currently provided” through **Housing Benefit**. Further information on the changes to Housing Benefit and Local Housing Allowance are explored further in this paper. The Government has

stated that it will consider whether changes are needed to the current approach to assistance with **Mortgage Interest costs**. In the June 2010 Budget, the Coalition announced that since interest rates had fallen significantly, Support for Mortgage Interest (SMI) would be paid at the level of the Bank of England's published Average Monthly Rate.

Tapering and Earnings Disregards

Tapering is defined as the rate at which benefit is reduced to take account of earnings. To ensure that people are encouraged to take up jobs (even if they are only for a few hours per week), the Government has announced that it will allow some groups to earn 'significantly more' before their benefits start to be withdrawn. For example, there will be a higher disregard for disabled people and couples with children.

Universal Credit will be withdrawn at a rate of 65p per additional pound of net earnings (after tax and National Insurance) for those earning below the personal tax thresholds and 24p for basic rate tax payers.

Conditionality, Sanctions and Mandatory Work Activity

The Coalition Government states that individuals "*who are able to look for or prepare for work should be required to do so as a condition of receiving benefit, and those who fail to meet their responsibilities should face a financial sanction*". This is the Government's definition of conditionality. Under the new Universal Credit regime there will be four broad conditionality groups:

- **No conditionality**: people with a disability or health condition which prevents them from work; carers, lone parents or lead carers with a child under the age of one.
- **Keeping in touch with the labour market**: lone parent or lead carer in a couple with a child over the age of one but under the age of five.
- **Work preparation**: people with a disability or those with a health condition which means they have limited capability for work at the current time.
- **Full conditionality**: jobseekers.

The Coalition Government also states that it will introduce a '**claimant commitment**' which sets out what is expected of each recipient of benefits. This will apply to every Income Support, Jobseeker's Allowance and Employment and Support Allowance recipient. It will set out:

- The Government's general expectations of recipients;
- The requirements placed upon them; and
- The consequences for the recipient of failing to meet the agreed standards.

Jobcentre Plus advisers in GB will be given much greater discretion in their role and will be able to:

- Require some jobseekers to attend their local office more frequently to demonstrate the steps they are taking to return to work;
- Require some people to broaden their job searches earlier in their claim;
- Compel people on both the work preparation and active job search categories to undertaken activity to address a skill need, e.g. training; and
- Where an adviser believes a jobseeker would benefit from “*the habits and routines of working life*” refer recipients to Mandatory Work Activity.

A **Mandatory Work Activity** placement will be for up to four weeks and is “*aimed at helping the recipient develop the labour-market discipline associated with full-time employment such as attending on time and regularly, carrying out specific tasks and working under supervision*’. Failure to attend or complete the placement without good cause will result in a financial sanction e.g. withholding Jobseeker’s Allowance for at least six months.

The Coalition Government has stated that it believes “*that some sanctions are set at too low a level and the consequences of failing to comply with requirements are not always clear*”. The Government’s proposed future sanctions structure under the existing benefit system is outlined in the table below. It will introduce a new sanctions structure to apply across Jobseeker’s Allowance, Employment and Support Allowance and Income Support. However, it is important to note that it will be for the Northern Ireland Assembly to determine if or how a new conditionality and sanctions regime will apply in Northern Ireland.

Table 2: Proposed future sanctions structure under the existing benefits system¹⁴

In all circumstances sanctions will not apply where there is good cause.

Conditionality	Failure	Financial Sanction
<p style="text-align: center;"><u>Low</u></p> <p>Jobseeker’s Allowance and Employment and Support Allowance Work-Related Activity Group</p>	<p>Includes Failure to:</p> <ul style="list-style-type: none"> • Attend an appointment. • Carry out a jobseekers direction. • Attend employment-related programme. • Attend a Work Focused Interview (ESA). • Carry out work related 	<p>100% JSA and ESA open ended until re-engagement then fixed minimum period (1, 2 then 4 weeks)</p> <p>Advisers will retain the ability not to impose a sanction for first and subsequent failures where good cause applies.</p>

¹⁴ Information in table extracted from Department for Work and Pensions (2010) Universal Credit: Welfare that Works, Figure 8, p30.

	activity (ESA).			
Medium Jobseeker's Allowance only	Failure to ¹⁵ : <ul style="list-style-type: none"> Actively seek work. Be available for work. 	1st failure: 100% Jobseeker's Allowance fixed for 4 weeks.	2nd failure: 100% Jobseeker's Allowance fixed for 3 months.	
High Jobseeker's Allowance only	Failure to: <ul style="list-style-type: none"> Apply for a job. Accept job offer. Take part in Mandatory Work Activity. 	1st failure: 100% Jobseeker's Allowance fixed for 3 months.	2nd failure: 100% Jobseeker's Allowance fixed for 6 months.	3rd failure: 100% Jobseeker's Allowance fixed for 3 years.
Income Support and Employment and Support Allowance lone parents with a child aged over one but below the age of five.	Failure to attend Work Focused Interview	1st failure: 20% (of the over 18-lone parent personal allowance) open-ended until re-engagement.	2nd failure and subsequent failures: Additional 20% (capped at 40% total for any subsequent failures) until re-engagement.	

Hardship payments will be available to benefit recipients in need who receive a sanction. However, the Coalition Government has stated that it is considering replacing the current system of hardship payments with loans *“to the extent that it is possible.”* It is also seeking ways to ensure that *“...those who persistently fail to meet the requirements imposed upon them cannot rely on these alternative sources of support for the entire duration of their sanction”*.

Universal Credit and Northern Ireland

One of the most notable concerns is the impact of Universal Credit on the benefits and tax credit administration structures in Northern Ireland. Currently, the majority of benefits in Northern Ireland are administered centrally by the Social Security Agency which employs around 5,600 staff. The SSA's main 4 main operation business areas are:

- **Pensions, Disability and Carers Service:** administers State Pension, State Pension Credit, Disability Living Allowance, Attendance Allowance and Carers Allowance.
- **Working Age (Central):** administers Incapacity Benefit, Employment and Support Allowance and provides medical support service administration.
- **Working Age (Network):** administers Income Support, Jobseekers Allowance, allocation of National Insurance numbers, Social Fund and the Belfast Benefit Delivery Centre; and
- **Benefits Assurance:** delivers the monitoring and reporting of Financial Accuracy, level of fraud and error and decision making standards, error reduction activity, counter fraud activity, benefit uptake activity and Operations Support.

¹⁵ Will remain a condition under Jobseeker's Allowance. Sanctions will follow new claim (subject to expiry period) and any loss of benefit at the point of disentanglement will count towards the fixed sanction period.

The Agency currently maintains a benefit caseload of approximately 580,000 for individuals living in Northern Ireland with 850,000 benefit accounts. It also provides a benefits processing service for DWP covering approximately 188,000 customers in London¹⁶. The Coalition Government proposes that overall administration of Universal Credit will be managed by one Department – the Department for Work and Pensions. The consultation paper ‘Universal Credit: welfare that works’ does not contain any further details on how this will impact on the administrative structures and delivery of tax credits and benefits in Northern Ireland.

Universal Credit may also have important implications for other programmes such as ‘Customer First’ (previously the Strategy Business Review). The Minister for Social Development has indicated that he has not yet made any decision on the roll out of Customer First across the SSA’s local office network but has stated that:

“While it is too early to be definitive about the implications of the proposed introduction in 2013 of Universal Credit, consideration will be given to this in due course. It is clear that the proposed changes have the potential to impact on all the benefits currently delivered through the local office network and it is important that the Agency be positioned to respond flexibly to these challenges in the future”¹⁷

4 Disability Living Allowance Reform¹⁸

“This is our opportunity to improve the support for disabled people and better enable them to lead full, active and independent lives. Personal Independence Payment will maintain the key principles of DLA, providing cash support to help overcome the barriers which prevent disabled people from participating in everyday life, but it will be delivered in a fairer, more consistent and sustainable manner. It is only right that support should be targeted at those disabled people who face the greatest challenge to leading independent lives.”

- Maria Miller MP, Parliamentary Under Secretary of State for Disabled People¹⁹

The Coalition Government announced in the June 2010 Budget that it would reform Disability Living Allowance (DLA) and subsequently published the public consultation paper ‘[Disability Living Allowance reform](#)’ in December 2010²⁰. The Government

¹⁶ Social Security Agency (2010) Social Security Agency Annual Report and Accounts 2009-2010, p16. www.dsdni.gov.uk/ssa-annual-report-2009-10.pdf

¹⁷ Assembly Question for Written Answer, 3011/11. Mr Brady to the Minister for Social Development. Tabled 13 December 2010.

¹⁸ Unless otherwise stated, the information in this section has been taken from the DWP consultation paper on ‘Disability Living Allowance reform’.

¹⁹ Department for Work and Pensions (2010) Public Consultation – Disability Living Allowance Reform. www.dwp.gov.uk/consultations/2010/dla-reform.shtml

²⁰ Department for Work and Pensions (2010) Public Consultation – Disability Living Allowance reform.

proposes to replace DLA with a new benefit – **Personal Independence Payment** which will be introduced in 2013/14 for new claimants. In 2013, the Government will also begin a ‘managed programme’ to re-assess existing claimants of DLA, starting with those of working age, using the new eligibility criteria and assessment process.

In short, the proposed changes to DLA include²¹:

- Renaming the benefit;
- Simplification of the system with a reduced number of rates;
- The introduction of an assessment process;
- An extension to the qualifying criteria i.e. the new benefit will only be available to those with a long-term health condition expected to last a minimum of 12 months, as opposed to the current six months; and
- A periodic review of for those awarded the benefit.

The new benefit – Personal Independence Payment

The new Personal Independence Payment will be a non means-tested, non-taxable benefit and payment will not be dependent upon having paid National Insurance contributions. It will be available to those in work as well as those who are out of work. Initially, the new Personal Independence Payment will be for **working age claimants** (16 to 64 years old), the Government has, however, stated that it is considering if it is appropriate to apply the new eligibility and assessment criteria to **children**. It is also considering whether the upper age limit to new claims for Personal Independence Payment should rise in line with **State Pension Age**, once it has been equalised for men and women in 2018. The Government has stated that special provisions to fast-track the benefit for people who are terminally ill will be continued.

The new structure – reduced number of rates

The new benefit will be structured differently from DLA. Currently DLA is divided into two parts, i.e. the ‘Care Component’ (with a higher, middle and lower rate payable) and the ‘Mobility Component’ (with a higher and lower rate payable). The Coalition Government believes that the current structure is too complex and difficult to administer. It also believes that ‘care’ and ‘mobility’ may not necessarily be the best proxies for the costs associated with disability and long term illness. For example, it believes ‘mobility’ as currently defined concentrates on an individual’s ability to walk and not on their ability to get around more generally (e.g. through the use of aids and adaptations).

²¹ Department for Social Development News Release. ‘Proposals to reform Disability Living Allowance announced today’. 6 December 2010.

Table 3: Disability Living Allowance Rates

Care Component	Weekly Rates
Highest Rate	£71.40
Middle Rate	£47.80
Lowest Rate	£18.95

Mobility Component	Weekly Rates
Higher Rate	£49.85
Lower Rate	£18.95

(Source: NI Direct²²)

The Government states that it aims to simplify this structure, it proposes that Personal Independence Payment will have **two components**, with each component having two rates payable:

- The '**mobility component**' – which will be awarded on the basis of the individual's ability to get around; and
- The '**daily living component**' – which will be awarded on the basis of the individual's ability to participate in daily life.

Changes to qualifying criteria

A core component of the Government's proposals for Personal Independence Payment is that the eligibility criteria will be much more restrictive than it is currently for Disability Living Allowance. The DWP consultation paper on the reforms states that it "*...will only be available to people with a long-term health condition or impairment*". The Coalition Government proposes that to qualify for Personal Independence Payment an individual must meet the eligibility criteria for a period of six months (the 'Qualifying Period') and be expected to continue to satisfy entitlement conditions for at least a further six months (the 'Prospective Test'). In other words, to qualify for the new benefit an individual's health condition or impairment must be expected to last for at least a minimum of a year. Under the new proposals people with a terminal illness will be exempt from these conditions and the application of these rules for people with fluctuating conditions is under review.

Another important issue with respect to eligibility is the intention to move away from a system that awards **automatic entitlement** to certain rates of benefit for certain conditions. For example, currently a person born without both legs or has had both legs amputated is entitled to receive the higher rate mobility component DLA. Similarly, certain people with severe visual impairments will become entitled to the

²² NI Direct - www.nidirect.gov.uk/index/information-and-services/people-with-disabilities/financial-support-for-people-with-disabilities/disability-living-allowance/disability-living-allowance-rates-and-how-to-claim.htm

higher rate mobility component of DLA from 11 April 2011²³. Instead it is proposed that each application will be assessed on an individual basis, the consultation paper states that this “*will deliver a more personalised service that ensures resources are targeted where they are most needed.*”

In addition to this, the Coalition Government announced as part of the Spending Review in October, that from 2012 the mobility component of DLA will cease to be paid if an individual in receipt of DLA has been in hospital or care home from 28 days (84 for children in hospital)²⁴.

The new assessment process

The Coalition Government announced in the June 2010 budget that the reform of Disability Living Allowance would include a new ‘objective’ assessment process. Work to develop the new assessment is not yet complete, however, the consultation paper states that the Coalition Government wants:

“...the new assessment to provide a broader, more objective measurement of the impact of an individual’s health condition or impairment on everyday activities than those currently captured on the DLA form. Our initial proposal is that the assessment should consider activities related to an individual’s ability to get around, interact with others, manage personal care and treatment needs, and access food and drink”²⁵

The extent to which an individual can carry out certain activities will determine their eligibility for Personal Independent Payment and the level of award. The assessment process will have much greater focus on the use of aids and adaptations (e.g. wheelchairs) and the successful use of these in increasing access to participation in everyday life.

Evidence to be used as part of the new assessment process will be gathered from a variety of sources, e.g. self-reporting, medical evidence from GPs, social workers and other healthcare professionals. The Coalition Government believes that advice from an ‘**independent health care professional**’ such as a doctor or occupational therapist approved by DWP, will be an important part of the assessment process. This will involve a ‘face to face’ meeting with that professional and an ‘in-depth analysis’ of the individual’s circumstances.

The new review process

The consultation emphasises the central role that **reviewing** awards will play in ensuring that Personal Independence Payment is targeted at those with long term

²³ Department for Social Development News Release. ‘Severely visual impaired people – entitlement to DLA higher rate mobility component’. www.dsdni.gov.uk/index/news_items/news-severely-visually-impaired-people.htm

²⁴ This will not apply where the individual is paying for their own care.

²⁵ Department for Work and Pensions (2010) Public consultation - Disability Living Allowance reform, p16.

disabilities and/or health condition. It states that within DLA there is no systematic process for checking the ongoing accuracy of awards and that under the new system individuals receiving the new benefit will be subject to periodic review. The review will be based on the new assessment process and the frequency and format of reviews will “*vary depending on the individual’s needs, the likelihood of their health condition or impairment changing and, potentially, the successful use of aids and adaptations*”. The reviews may involve face to face or telephone discussions.

In line with the Coalition Government’s [new strategy on fraud and error](#)²⁶ (published October 2010), individuals who do not report changes in their circumstances between reviews (e.g. knowingly withholding information which would have resulted in reduced benefit) will have to repay the amount claimed and could be subject to a penalty and/or prosecution.

Linking with other services

The Government’s vision for the new Personal Payment Allowance regime is to link it to access with other forms of support in the health and social care system, e.g. providing guidance to individuals on the options open to them; signposting to support available elsewhere; ensuring that individuals can discuss their situation with an appropriate professional who could offer advice or specialist support. The Government is currently scoping the potential for creating linkages and is exploring making elements of this part of the requirements of the benefit where appropriate.

Why does the Coalition Government feel reform is necessary?

The consultation paper outlines four main reasons why the Government feels that reform of DLA is necessary, i.e.:

- **“Caseload and expenditure is increasing at a rate never envisaged”**: the Government highlights that the number of DLA claimants has increased by 30% in the last 8 years. Currently 3 million people are claiming the benefit across the UK and of these, 1.8m are of working age. The Government argues that the complexity and subjectivity of the benefit has led to a wider application than was the original intention of the benefit.
- **“The current system is too complex and the benefit is not understood”**: the Government argues that the system is too complicated, complex to administer and that the claim form is particularly difficult to understand.
- **“There is no system to check awards remain correct”**: The Government believe that currently there is no straightforward way of reviewing entitlement to DLA on a regular basis to ensure that recipients are receiving the right level of benefit. The

²⁶ Department for Work and Pensions (2010) Tackling fraud and error in the benefit and tax credits system. www.dwp.gov.uk/docs/tackling-fraud-and-error.pdf

Government states that it wants to ensure that the new system can easily identify whether an individual's condition has deteriorated or improved.

- **“The benefit can act as a barrier to work”**: The Government argues that evidence suggests that DLA can act as a barrier to work and that people who claim DLA have lower work expectations. The Government argues that the new Universal Credit regime will ensure that even small amounts of work will be more financially rewarding than inactivity.

Disability Living Allowance and Northern Ireland

As of 31 May 2010, there were 183,710 individuals in receipt of Disability Living Allowance in Northern Ireland. Of these, 87,410 were male and 96,300 were female and 13,815 claimants were children under the age of 16 years old. A total of 169,895 claimants were aged 16 to 80+.

As evident from Table 5, Northern Ireland has the highest prevalence of DLA claimants per head of population in the UK (102.7 per 1,000 population in Northern Ireland compared to England with 49.6; Wales with 80.7 and Scotland with 65.9). This equates to one in 10 of the people in Northern Ireland claiming the benefit. West and North Belfast have the highest rates of claimants in Northern Ireland (Table 6). As Table 7 highlights, a significant proportion of DLA awards in Northern Ireland are due to ‘mental health causes’ (for 41,694 claimants this is classified as the main disabling condition), this is followed by arthritis (33,778 claimants), muscle/joint and bone disease (14,515 claimants), back ailments (13,675), and learning difficulties (12,703).

The Minister for Social Development has expressed concern over the impact of the proposed reforms on Northern Ireland,

“I am concerned about the scale, pace and intention of these proposed changes, give the high number of people who are in receipt of DLA here. The Coalition Government has to acknowledge the different circumstances in Northern Ireland. I will work to have our conditions fully recognised.

We have the highest levels of DLA claimants in Britain by far. We don't have to look too far into Northern Ireland's past to discover why that is.”²⁷

The Department for Social Development estimate that the proposed changes to DLA will result in a 20% reduction in working age claimants once the proposals have been fully rolled-out (there are currently around 103,500 working age claimants in Northern Ireland)²⁸.

²⁷ Department for Social Development News Release. ‘Proposals to reform Disability Living Allowance announced today’. 6 December 2010.

²⁸ Department for Social Development News Release. ‘Proposals to reform Disability Living Allowance announced today’. 6 December 2010.

Table 4: Current number of DLA claimants at 31 May 2010²⁹

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
All components	139,812	145,741	151,025	160,966	166,115	170,628	172,967	174,698	178,569	183,710
Higher Rate (care only)	2,136	2,017	2,073	2,144	2,210	2,337	2,358	2,267	2,318	2,415
Middle Rate (care only)	7,411	7,391	8,037	9,145	9,846	10,414	10,451	10,270	10,162	10,434
Lower rate (care only)	10,218	10,122	10,346	11,021	11,537	11,973	11,822	11,464	11,466	11,656
Higher Rate (mobility only)	12,209	12,442	12,741	12,432	11,697	11,660	11,410	11,016	10,564	10,323
Lower Rate (mobility only)	3,478	4,116	4,241	4,135	3,818	4,005	4,201	4,204	4,222	4,195
Higher Rate Care and Higher Rate mobility	23,444	24,499	25,281	26,434	27,396	28,114	29,195	30,150	30,784	31,080
Higher Rate Care and Lower Rate Mobility	11,110	11,573	11,908	12,550	12,683	13,621	14,267	14,319	14,663	15,192
Middle Rate Care and Higher Rate Mobility	28,540	30,020	31,369	33,753	34,764	35,476	35,758	36,434	37,372	38,443
Middle Rate Care and Lower Rate Mobility	21,558	23,858	25,077	28,967	32,131	33,288	33,994	35,278	37,564	40,303
Lower Rate Care and Higher Rate Mobility	16,038	16,108	16,665	16,988	16,613	16,185	15,809	15,493	15,457	15,450
Lower Rate Care and Lower Rate Mobility	3,670	3,595	3,287	3,397	3,420	3,555	3,702	3,803	3,997	4,219

(Source: Department for Social Development, Disability Living Allowance, Summary of Statistics. 31 May 2010)

Table 5: DLA current at 31 May 2010 by region³⁰

Country/Government Office Region	Allowances ('000s)	Allowances per 1,000 population
Great Britain	3,157.3	52.6
Unallocated	3.4	
England	2,569.8	49.6
North East	176.2	68.2
North West	473.5	68.6

²⁹ Cases where payment of benefit has been suspended are excluded.

³⁰ GB Figures taken from a 5% sample at 31 May 2010.

Yorkshire and Humber	295.2	56.1
East Midlands	230.9	51.9
West Midlands	303.2	55.8
East	226.9	39.3
London	315.7	40.7
South East	311.8	37.0
South West	236.4	45.2
Wales	242.0	80.7
Scotland	342.4	65.9
Northern Ireland	183.7	102.7

(Source: Department for Social Development, Disability Living Allowance, Summary of Statistics. 31 May 2010)

Table 6: Number of DLA recipients by NI Parliamentary Constituency (at September 2010)

Parliamentary Constituency	Recipients	NISRA mid -year population estimate 2008 ³¹
Belfast East	8,785	79,173
Belfast North	14,665	83,493
Belfast South	8,262	91,500
Belfast West	17,385	84,243
East Antrim	7,201	87,239
East Londonderry	8,198	91,123
Fermanagh & South Tyrone	9,171	101,421
Foyle	13,629	109,097
Lagan Valley	7,689	110,054
Mid Ulster	10,062	95,719
Newry and Armagh	11,988	110,033
North Antrim	8,306	109,720
North Down	6,154	89,123
South Antrim	7,843	107,398
South Down	10,866	116,172
Strangford	7,267	102,629
Upper Bann	12,722	115,137
West Tyrone	12,655	91,729
Unallocated recipients ³²	1,455	-

(Source: Assembly Question for Written Answer, AQW 580/11, Mr Jimmy Spratt to the Minister for Social Development, Tabled 22 September 2010)

³¹ NISRA Mid Year Population Estimates 2008. www.nisra.gov.uk/demography/default.asp41.htm

³² Recipients are allocated to a constituency by postcode. In some cases this is not possible, e.g. a postcode may be missing or incomplete or

Table 7: Allowances current by main disabling condition at 31 May 2010³³

Condition	All Awards
All Conditions	183,710
Terminally Ill	1,603
Arthritis	33,778
Back ailments	13,675
Muscles/joint/bone disease	14,515
Trauma to limbs	1,463
Blindness	2,451
Deafness	2,404
Heart disease	10,669
Chest disease	4,536
Asthma	3,076
Stroke-related	3,817
Peripheral vascular disease	972
Epilepsy	5,154
Neurological disorder	4,219
Multiple sclerosis	2,286
Chronic fatigue	2,761
Diabetes	3,344
Learning Difficulties	12,703
Other mental health causes	41,694
Alcohol abuse	3,613
Hyper kinetic syndrome	1,639
Malignant disease	3,195
Conversion ³⁴	3,151

(Source: Department for Social Development, Disability Living Allowance, Summary of Statistics. 31 May 2010)

A number of concerns have been expressed by Disability and Welfare organisations about the future of Disability Living Allowance. Disability Action, for example, have suggested that the *“obvious consequence of moving to a medical assessment for DLA claimants is that many people will have the benefit removed”*. Disability Action also emphasises that the high number of DLA claimants in Northern Ireland is a reflection of a number of factors including large numbers of people disabled as a result of the Troubles, an aging population, people living longer through better medical treatment and better outcomes for babies born prematurely³⁵. Of particular concern to Disability Action is,

³³ Where more than one disability is present only the main disabling condition is recorded. For a small number of cases the main disabling condition is recorded inaccurately.

³⁴ Disabling conditions that were not recorded for existing cases when they were transferred to the computer system.

³⁵ Disability Action (2010) Position Paper: Budget 2010 – Protecting the Most Vulnerable?

www.disabilityaction.org/fs/doc/publications/disability-action-budget-2010-position-paper.pdf

“the proposed extension to the qualifying criteria - the new benefit will now only be available to those with a long-term health condition, expected to last a minimum of 12 months, as opposed to the current six months. This will mean that people with conditions that fluctuate over time, for example arthritis or mental health conditions, could be excluded from receiving a benefit that helps them pay the extra costs associated with their condition.”³⁶

Other organisations, such as Mencap have urged the Coalition Government to rethink its proposals for DLA. It has difficulty in particular with the plan to cut the mobility care component of DLA for those in residential care and the impact this will have on people with profound and multiple learning disabilities:

“People with profound and multiple learning disabilities who do not live in the family home are most likely to be living in residential care homes. This money helps them get the personal support they need to get out and take part in activities. Removing this benefit will result in people with a learning disability being stuck in their residential care homes, stripped of the control they have over their lives.”³⁷

RNIB have also questioned the proposed assessment process for the new Personal Independence Payment and whether assessors will have the specialist knowledge required to understand the daily needs of people who are blind or partially sighted:

“RNIB has serious concerns about the effectiveness of the proposed assessment for a Personal Independence Payment, which undermines the Government’s commendable ambition to make the process easier for claimants to understand. The proposal would have blind and partially sighted people meeting with assessors who lack specialist knowledge, to answer questions that cannot provide an accurate picture of their daily needs. It is particularly distressing when in many cases objective medical evidence could clearly demonstrate these needs.”³⁸

5 Housing Benefit Reform

“The Housing Benefit measures should be considered within the wider context of the budget deficit and the reduction in public expenditure that the Government is making to tackle it. Expenditure on Housing Benefit in cash terms has increased significantly from £11 billion in 1999/2000 to £20 billion in 2009/10. Without reform, it is forecast to reach £24 billion by 2015/16. It is essential that

³⁶ Disability Action News Release. ‘Disability Action’s concern over proposal to reform Disability Living Allowance’. 6 December 2010.

³⁸ RNIB. Reforming Disability Living Allowance. www.rnib.org.uk/getinvolved/campaign/yourmoney/Pages/DLA_reform.aspx

the overall cost of Housing Benefit is controlled and therefore the Government is taking these steps in 2011 towards maintaining a more sustainable Housing Benefit system in futureThe amendments to Housing Benefit will create a fairer system of support by taking steps to ensure that people on benefit are not living in accommodation that would be out of reach of most people in work.....”

- Statement by the Secretary of State for Work and Pensions in accordance with section 174(2) of the Social Security Administration Act 1992³⁹

The Coalition Government announced a number of substantial reforms to the Housing Benefit system in its June 2010 Budget. This included:

- From April 2011, the removal of the five bedroom Local Housing Allowance rate so that the maximum level which can be claimed is for a four bedroom property.
- From April 2011, the introduction of caps so that Local Housing Allowance weekly rates cannot exceed £250 for a one bedroom property; £290 for a two bedroom property; £340 for a three bedroom property and £400 for a four bedroom property.
- From April 2011, the removal of the provision for claimants to retain a maximum of up to £15 per week in cases where their contractual rent is below the Local Housing Allowance rate.
- From April 2011, the inclusion of an additional bedroom within the size criteria used to assess Housing Benefit claims in the private rented sector where a person with disabilities, or long-term health condition, has a proven need for overnight care and this is provided by a non-resident carer.
- From October 2011, setting Local Housing Allowance rates at the 30th percentile of rents in each Broad Rental Market Area rather than the median.
- The Government contribution to Discretionary Housing Payments is to be increased by £10m in 2011-12 and £40m in each year from 2012-13.
- From April 2013, Local Housing Allowance Rates will be uprated based on the Consumer Price Index rather than on the basis of local rents.

³⁹ Cited in Social Security Advisory Committee (2010) Report by the Social Security Advisory Committee under Section 174(1) of the Social Security Administration Act 1992 and the Statement by the Secretary of State for Work and Pensions in accordance with Section 174(2) of that Act. www.official-documents.gov.uk/document/other/9780108509551/9780108509551.pdf

- From April 2013, Housing Benefit will be reduced for the long term unemployed receiving income-based Jobseeker's Allowance to 90% of the initial award (after 12 months of claiming JSA).

The Coalition Government also announced in the Spending Review that from April 2012, there will be an increase in the age threshold for the shared room rate and this would apply to customers up to the age of 35 (currently the age threshold is up to the age of 25).

On the 30 November the Coalition Government announced two changes to the timetabling of some of the reforms to provide additional transitional time for existing claimants:

- All changes that will adjust the way Local Housing Allowance rates are calculated will come into force from April 2011 for new claims.
- Existing claimants will continue at their current rate of benefit until their claim is reviewed, they will then have a further period of transitional protection at their current Local Housing Allowance rate of up to nine months if there has not been a relevant change in circumstances⁴⁰.

Whilst considering this section it important to note the timetabling and the extent to which and how Housing Benefit reforms will be implemented in Northern Ireland has yet to be announced. During 2009/10 the Northern Ireland Housing Executive paid a total of £518.02m in Housing Benefit. The number of people receiving Housing Benefit increased by 9% during the year to a total of 150,526 (68,110 in Housing Executive tenancies, 21,133 in housing association tenancies and 61,283 in the private rented sector)⁴¹.

As highlighted at the beginning of this section, the reform of Housing Benefit is one of a number of measures announced by the Coalition Government aimed at addressing the budget deficit. The Coalition Government believe that the reforms will make the system 'fairer' by ensuring that housing choices and accommodation for those on benefits do not exceed those of people in employment. In a recent speech at the Institute for Public Policy Research (ippr) the Secretary of State for Work and Pensions, Iain Duncan Smith, stated that "...taxpayers are increasingly seeing people on benefits living in houses they couldn't hope to afford themselves"⁴².

⁴⁰ Written Ministerial Statement on Housing Benefit Reform, 30 November 2010.

www.publications.parliament.uk/pa/cm201011/cmhansrd/cm101130/wmstext/101130m0001.htm#10113032000021

⁴¹ Information extracted from the Northern Ireland Housing Executive website, www.nihe.gov.uk/index/about-us-home/media_centre/key_issues/housing_benefit.htm

⁴² Secretary of State, Iain Duncan Smith, ippr speech, 7 December 2010. www.ippr.org.uk/uploadedFiles/events/events-transcript-duncansmith-101207.pdf

However, there has been concern expressed with regards to this point, for example, the Social Security Advisory Committee states that,⁴³

“In presenting the case for change the Department has made much of the need for the HB system to ensure that housing choices are both prudent and geared to what people in work would expect to pay. However, we find an inherent contradiction in the latter aspiration because it takes no account of the fact that HB is an in-work benefit (and that it has always functioned so as to enable people in work to afford to pay reasonable housing costs calculated by reference to local market rents) and that not all HB recipients are in the labour market (people over state pension age, people who are in the ESA support group, and lone parents of younger children, for example). It also makes no reference to the fact that significant numbers of claimants move between claiming while in work and claiming while out of work.

We have also seen no evidence to suggest that the vast majority of housing choices made by HB recipients have been either reckless or extravagant.”

In November 2010, the Social Security Advisory Committee⁴⁴ published a [report](#) on its response consultation on the Housing Benefit (Amendment) Regulations 2010 (these regulations apply to GB and will give effect to many of the Housing Benefit measures included in the Coalition Government’s 2010 Budget)⁴⁵. Crucially, the SSAC recommends *“that the Government should not go ahead with the package of amendments as proposed”* and that *“the Committee raised a number of concerns about the scale and impact of the changes, and the serious effect that this would have on customers claiming Housing Benefit who are living in the private rented sector, particularly those claiming according to Local Housing Allowance rules”*⁴⁶. For ease of reference the Social Security Advisory Committee recommendations on the regulations and the Coalition Government’s response to those recommendations is set out in the table below.

Table 8: Social Security Advisory Committee Recommendations on Housing Benefit reform

Social Security Advisory Committee Recommendations	Coalition Government’s Response
Extending the modification of the property size criteria (which is to be applied to claimants requiring an additional bedroom for a non-resident carer) to households accommodating children subject to shared residence arrangements.	The Government believes that this would introduce an element of double provision into the system where such children could potentially be taken into account in two separate benefit assessments. The Government has no plans to extend the size

⁴³ Social Security Advisory Committee Report (2010) on the Housing Benefit (Amendment) Regulations 2010 and the Rent Officers (Housing Benefit Functions) Amendment Order 2010, pp. 9-13

⁴⁴ The SSAC is the UK’s statutory advisory body for all social security matters except those relating to industrial injuries, war pensions, occupational pensions, and National Insurance contributions. Most proposals for social security regulations must be submitted to the SSAC before they are made.

⁴⁵ Social Security Advisory Committee (2010) Report by the Social Security Advisory Committee on the Housing Benefit (Amendment) Regulations and the Rent Officers (Housing Benefit Functions) Amendment Order 2010. www.official-documents.gov.uk/document/other/9780108509551/9780108509551.pdf

⁴⁶ Ibid, p.4.

	criteria to any other categories of cases.
Reluctantly recommends that the £15 excess payment is removed.	The Government welcomes the Committee's agreement that this measure should go ahead.
The introduction of the Housing Benefit caps should be deferred until October 2011 (rather than April 2011 as the Government initially proposed).	Deferring this measure for new customers would mean very high Local Housing Allowance rates would be available for much longer. The maximum weekly rates for all new claims will be £400 per week from April 2011. The Government will set LHA rates at the 30 th percentile from April 2011 instead of October 2011 as originally planned. However, to give existing customers sufficient time to adjust to their new rate, the Government will provide transitional protection at their existing LHA rate for a period of up to nine months (following the date in which their claim is reviewed).
The restriction of Local Housing Allowance to the four bedroom rate should not proceed until a full race equality impact assessment has been carried out.	The Government states that it has already carried out a full Equality Impact Assessment and that research shows that the cumulative impacts of these measures do not appear to disadvantage one group more disproportionately than another. DWP is considering the scope for commissioning primary research into the impact of the changes on particular groups such as large families and ethnic minority groups.
Three months transitional protection should be made available to better enable the families who currently occupy larger properties to secure larger accommodation.	Families occupying larger properties will, along with existing customers, have a period of up to nine months transitional protection from the date in which their Housing Benefit claim is reviewed.
That the Department urgently re-examines the potential for restructuring the national caps in order to more accurately and realistically reflect the position of London and other high cost areas.	The Government does not accept that Local Housing Allowance Rates should be re-considered. The weekly caps affect very few local authority areas, and all but three Broad Rental Market Areas have at least 30% of properties that are affordable within the new Local Housing rates.
The Government should consider the scope for exempting particularly vulnerable tenants, such as people with disabilities who are receiving care and/or support services, from the caps.	The Government accepts that some benefit recipients are likely to need more support than others. Additional provision has been made through changes to the sizing criteria for some disabled customers as well as additional funding to help those people who will be affected. The Government believes this is the most appropriate way to deal with the most difficult cases. It would be extremely difficult to legislate for every circumstance and to define what is meant by a 'vulnerable' tenant.
The one bedroom shared accommodation rate should continue to be based on median rents.	The Government does not accept this recommendation, this arrangement reflects the housing expectations of people of a similar age not on benefits. As part of the Spending Review, the Government has announced an increase in the age threshold for the shared room rate which from April 2012, will apply to customers up to the age of 35.
That DWP reviews the Broad Rental Market Areas, so as to ensure that 30% of private rented sector properties are available to Housing Benefit claimants in each local authority area.	Broad Rental Market Areas boundaries will remain broadly as they are in the short term, but the Department will reconsider these areas as part of the longer term Housing Benefit measures and specifically in relation to the move to set Local Housing Allowance rates according to the Consumer Price Index (CPI). One option the Government is keen to explore is whether areas could be co-aligned with local authority boundaries.
That DWP reviews the allocation of Discretionary Housing Payments to better reflect the scope and projected impacts across local authorities.	The Government fully accepts that the allocation of Discretionary Housing Payments should be reviewed in the light of these changes. The Department is already working with local authority associations to consider how best to allocate the funding for next

	year, including the additional funds that was agreed within the Budget.
That the Government considers the scope for bringing forward more of the increase in the Discretionary Housing Payment to year one of the changes.	The Government accepts that supporting customers during the transitional period as changes come into force in 2011 is critical. It also accepts the principle put forward by the SSAC that more support is required during year one of the changes. However, given the adjustments the Government has made to the implementation timescale there is no longer a pressing need to bring forward Discretionary Housing Payment funding.
That DWP explores measures to encourage landlords to stay in/enter the Local Housing Allowance market, including wider availability of direct payment within the current benefits system and with the proposed Universal Credit.	The Department will work closely with the Department for Communities and Local Government and the devolved administrations to encourage landlords to continue to rent to Housing Benefit tenants. DWP is considering direct payments in the context of the Local Housing Allowance two year review. It is also considering extending the safeguard provision to allow local authorities to consider making direct payments to landlords if it is their view it would secure or retain a tenancy.
That DWP ensures that definitions of 'intentionally homeless' and associated guidance is revised to ensure that the position of households who fall into arrears because of changes to the Housing Benefit entitlement are not excluded from the scope of homelessness provision.	DWP will continue to work closely with the Department for Communities and Local Government and the devolved administrations in relation to the implementation of the Housing Benefit measures. There are currently no plans to change the statutory definition of 'intentionally homeless'. Although the Government does not expect tenants to be made homeless as a result of its reforms, it is the Government's view that should any tenant be made homeless as a result of a reduction of Housing Benefit outside of their control, they should not be considered to have been made homeless intentionally.
That DWP undertakes to put in place a dedicated monitoring and evaluation programme to track and report the impacts of the changes both in real time and over the longer term.	DWP fully accept that a comprehensive evaluation programme should be put in place, this will include examining the behavioural responses of landlords; money management; caseload and average awards; shortfalls in rents; direct payments; breaks in claims due to customers moving home; and evictions and homelessness.
That DWP should put in place an early proactive national campaign to raise awareness and ensure that those likely to be affected will have an opportunity to make necessary preparations.	The Government fully accepts the need for a comprehensive awareness campaign. DWP is developing a range of communication products aimed at raising awareness, e.g. online information sources and printed material where appropriate.

(Source: Information in this table is extracted from the Social Security Advisory Committee Report (2010) on the Housing Benefit (Amendment) Regulations 2010 and the Rent Officers (Housing Benefit Functions) Amendment Order 2010, pp. 9-13)

A recent [report](#) by the House of Commons Work and Pensions Committee (December 2010) also raised a number of issues with regard to the Housing Benefit reforms announced in the June Budget:

“Some witnesses believed that an increase in evictions and homelessness was inevitable. Larger families occupying bigger and more expensive properties are likely to be most seriously affected by the cap on the total amount of LHA that can be claimed. Many people are likely to struggle to meet the shortfalls between the reduced amount of benefit they receive and the rent they need to pay to secure appropriate homes. As a consequence of the Government's intention to apply downward pressure to rents charged

to benefit claimants, many people are likely to have to move to cheaper properties and to cheaper areas...

*We accept that some landlords will lower rents for claimant tenants in response to the caps on LHA rates. However, the extent of that response cannot be accurately predicted and is likely to vary between different areas, depending on local market conditions.*⁴⁷

Concerns have also been expressed by a number of local housing and benefit advice bodies with regard to the potential impact of the reforms on Northern Ireland. In evidence to the House of Commons Work and Pensions Committee, the Housing Rights Service stated that it believed the measures would have the following impact on Northern Ireland:

- Restricting access to the private rented sector;
- Limiting the ability of tenants to sustain a home;
- The breakdown of families;
- Increasing rent arrears in the private rented sector and social housing;
- Increasing both direct and indirect costs associated with homelessness;
- Increasing costs associated with managing and recovering rent arrears;
- Increasing demand on advice services;
- Increasing applications for Discretionary Housing Payments; and
- The reluctance of private landlords in the private rented sector to let to people in receipt of benefit and possible withdrawal from the market⁴⁸.

Also in evidence to the Work and Pensions Committee, Law Centre (NI) drew attention to a number of issues including, for example⁴⁹:

- The extent to which the proposals took into consideration the **different administration arrangements** in Northern Ireland in comparison to GB. That is, Housing Benefit is administered by the Northern Ireland Housing Executive rather than Local Authorities. Social security and training and employment are divided into two Government Departments in NI in contrast to GB where both are under just one Department – DWP.
- The impact of the plans to reduce the **initial award of benefit by 10%** to those receiving JSA in excess of 12 months. Law Centre (NI) are concerned that those removed from ESA and Incapacity Benefit under the revised medical assessment may have health conditions or disabilities which place them at a disadvantage in the

⁴⁷ House of Commons Work and Pensions Committee (2010) Changes to Housing Benefit announced in the June 2010 Budget . Second Report of 2010-11, p3. www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/469/46902.htm

⁴⁸ Housing Rights Service (2010) Impact of the changes to Housing Benefit announced in the June 2010 Budget. Written evidence submitted by Housing Rights Service.

⁴⁹ Law Centre (NI) Inquiry of the Changes to Housing Benefit Announced in the June 2010 Budget. Submission from Law Centre (NI). www.lawcentreni.org/policy/consultation-responses/701.htm

labour market. Law Centre (NI) also believe that consideration must be given to the capacity of the employment market in Northern Ireland in the current economic climate to ensure that people who are genuinely seeking employment are not unfairly penalised.

- The impact on reduction to an **LHA rate of the 30th percentile and a total cap on LHA rates on overcrowding and homelessness**. Law Centre (NI) argues that not only will this will have a disproportionate effect on families but will also have a knock-on effect on the social housing sector as private rented accommodation becomes harder to access.

Recent commentary from the Head of Research of the Northern Ireland Housing Executive provides a further insight into the potential impact of Housing Benefit reforms on both tenants and landlords in Northern Ireland⁵⁰:

“...The potentially most damaging proposal is the intention to change the LHA allowance calculation from one based on median (mid-point) rent to one based on the 30th percentile....It is difficult to assess in detail the effect of this, but give that there are some 38,000 private tenants who currently have their HB assessed on the basis of LHAs and that each of them would on average lose £7-8 per week – this means almost £15m would be removed annually from the Government’s support to the private rented sector.

This is bad news for tenants and landlords alike. The research undertaken by the University of Ulster indicated that 68 per cent of tenants in the private rented sector who were in receipt of HB (now almost 50,000 tenants) had to pay a shortfall between the HB they receive and the total rent payable to the landlord and that this weekly shortfall amounted to an average of £20 per week. The effect of this new policy on determining LHA will seriously exacerbate this problem. It will inevitably mean more private tenants losing their home and greater difficulties for landlords trying to ensure they collect a viable rent.

All in all the proposed changes to HB set out in the budget will add to the tensions and instability in Northern Ireland’s housing market, at a time when Government is trying to promote the private rented sector as more attractive, viable alternative to the social sector....”

⁵⁰ University of Ulster (2010) Northern Ireland Quarterly House Price Index for Q2, 2010. P2. www.nihe.gov.uk/price_index_q2_2010.pdf

6 State Pension Reform – Increase to State Pension Age and the ‘Triple Guarantee’

“This Government believes that the State Pension should be a firm foundation for income in later life. That is why the Government has committed to restoring the earnings link with the basic State Pension from April 2011, with a ‘triple guarantee’ that the basic State Pension will rise by the highest of average earnings, prices, or 2.5 per cent.

More of us are now reaching State Pension age, and living to claim a State Pension for longer, than ever before. Increasing longevity is a cause for celebration. But the legislative timetable for increases in State Pension age was based on expectations of longevity that have since been revised.”

- Steve Webb MP, Minister of State for Pensions⁵¹.

The Chancellor announced in the Spending Review that the Coalition Government decided that the increase in State Pension age to 66 should be accelerated to 2020. The Government will introduce a Bill in 2011 to implement this change. If Parliament approves the Government’s proposals, the State Pension age for both men and women will rise from 65 in December 2018 to 66 by April 2020 (in GB). To enable this earlier increase to 66, the equalisation timetable will be adjusted from April 2016 so that women’s State Pension age will reach 65 by November 2018 (rather than April 2020)⁵². The Government is also considering future increases to State Pension Age (with a possible future rise to 68)⁵³. A total of 4.9 million people in Great Britain will have their State Pension Age revised. Of these, 4.4 million will have an increase in State Pension age of a year or less, the Coalition Government believes that this will result in £30.4 billion of savings between 2016/17 and 2025/26⁵⁴.

In addition to this, the Coalition Government announced in the June 2010 Budget that the basic State Pension would be uprated from April 2011 via a ‘triple guarantee’ of the growth rate of average earnings, the annual increase in the Consumer Price Index, or 2.5 per cent, whichever is highest. The Consumer Price Index (CPI) (rather than the Retail Price Index) will be used as the measure of prices in the triple guarantee, as for other benefits and tax credits. However, the Government has stated that to ensure the value of a basic State Pension is at least as generous as under the previous uprating rules, that for the April 2011 uprate only, basic State Pension would increase by at least the equivalent of RPI. In December 2010, the Department for Work and Pensions announced that that the basic State Pension would increase by £4.50 to £102.15 in

⁵¹ Department for Work and Pensions (2010) A sustainable State Pension: when State Pension age will increase to 66. www.dwp.gov.uk/docs/cp-nov10-spa-66-full-document.pdf

⁵² Department for Work and Pensions Website - www.dwp.gov.uk/consultations/2010/spa-66-review.shtml

⁵³ HM Treasury. Spending Review 2010, p69.

⁵⁴ Department for Work and Pensions (2010) A sustainable State Pension: when State Pension age will increase to 66, p7.

April 2011⁵⁵. To ensure the lowest income pensioners benefit from the triple guarantee, the standard minimum income guarantee in Pension Credit will increase in April 2011 by the cash rise in a full basic State Pension.

7 Reaction of the Think Tanks to Welfare Reform

This section looks briefly at the reaction of some of the key think tanks to:

- Welfare Reform –the June 2010 Budget and October 2010 Spending Review
- Welfare Reform and Universal Credit
- Reform of DLA
- Reform of Housing Benefit
- Reform of State Pension

The June 2010 Budget & October 2010 Spending Review

The **Institute for Fiscal Studies** (IFS) published a paper in October 2010, entitled: [The distributional effect of tax and benefit reforms to be introduced between June 2010 and April 2014](#)⁵⁶. The report stated that the Chancellor was wrong in claiming that the June budget was progressive - if the measures announced in the budget were analysed in isolation, or if their effects were considered over a longer period of time. The IFS analysis found that the overall effect of the new reforms is regressive.

The IFS published a similar analysis which focused on the impact of the reforms in Northern Ireland⁵⁷. This research concluded that where the period 2010-11 is concerned, households in Northern Ireland will be “*no more affected than the UK average by tax and benefit changes*”. However, the report stressed that where the period 2013-14 or 2014-15 is concerned, Northern Ireland will have the second highest average loss as a percentage of income within the regions of the UK. The authors attribute this to the fact that a higher proportion of people in N I are in receipt of DLA and the relatively high proportion of households with children in Northern Ireland compared with the rest of the UK.

The IFS has also commented about the reforms to **child benefit**, in particular the announcement that it will be withdrawn from higher rate taxpayers from April 2013. The

⁵⁵ Department for Work and Pensions News Release. ‘More help for pensioners as Basic State Pension set to rise in 2011.’ www.dwp.gov.uk/newsroom/press-releases/2010/dec-2010/dwp173-10-081210.shtml

⁵⁶ This was a revised paper, initially published in August 2010.

⁵⁷ *The Impact of Tax and Benefit Reforms to be introduced between 2010-11 and 2014-15 in Northern Ireland* <http://www.ifs.org.uk/publications/5369>

IFS anticipate a number of negative implications from this new form of means testing - for a start many will see the proposed scheme as unfair. Another serious implication is that the policy may distort incentives for some families with children – as a small rise in salary would mean the loss of all their child benefit.⁵⁸

A **Fabian Society**⁵⁹ report published by the TUC in September 2010 entitled [Where the Money Goes](#)⁶⁰ used official figures to calculate how different groups in the population benefit from public services. The research estimated the losses to UK households as a result of the Government's proposed cuts in public spending by 2012-13 (excluding the cuts to welfare benefits). By combining this analysis with data on the impact of the proposed tax and benefit changes by 2012-13, the researchers were also able to analyse the impact on households of all fiscal consolidation measures for this year. Their conclusion was that there would be a severe impact on public services, even before the effect of the cuts to benefits and tax credits is considered. They estimated an average cut to households of £1,308 per year.

The **Centre for Social Justice** made a largely positive response to the Comprehensive Spending Review stating that it was: ...broadly... a brave and necessary reforming agenda and one that the CSJ welcomes.. and ...a spending review of reforming ideas to strike at the heart of the nation's damaging deficit.⁶¹

In relation to families and welfare the CSJ's appraisal struck a more negative note, stating that it was "not yet fully convinced that this CSR is sufficiently focussed on the welfare of Britain's families":

"The family is barely mentioned although we welcome the emphasis on children with disabilities and mental health needs with the expansion of personal budgets and access to psychological therapies. However, there are real cuts in financial assistance to low-income families with the decrease in assistance with childcare. There is already low take up of this benefit"

The CSJ also stated that they:

"...question the continued fairness anomaly in the government's child benefit reforms. As stands they are unfair and we urge the Chancellor to revisit his decision."

⁵⁸ Child Benefit withdrawal will mean some worse off after a pay rise. IFS

⁵⁹ www.fabians.org.uk

⁶⁰ Authors Howard Reed (Fabian Society) and Tim Horton (Landman Economics)

⁶¹ CSJ Press release Wednesday 20 October 2010

http://www.centreforsocialjustice.org.uk/client/downloads/CSJ_respond_to_CSR.pdf

In general, the CSJ welcomed the government's reforms to benefits but pointed to the concerns that exist around the implementation of the assessment for incapacity benefit which research has highlighted⁶² stating that these must be addressed, a fact acknowledged by the government.

The **Fawcett Society**⁶³ referred to independent analysis of the budget by the House of Commons Library which revealed that women will bear the brunt of the cuts. The research found that 72% of the savings identified in the budget would come from women's pockets. Certain benefits to be cut or frozen included the Health in Pregnancy Grant, Sure Start Maternity Grant and Child Benefit, benefits that more women than men rely upon.

The Fawcett Society consequently sought a judicial review of the budget. They believed that the government had not, as required by law, considered the impact of the measures in the budget on equality between men and women. A judicial review was not achieved though the government conceded it had failed to assess how the budget would impact on men and women. The Fawcett Society saw their action as having had a positive and direct impact when, subsequently, the government produced an equality impact assessment on the Comprehensive Spending Review.

Universal Credit

The **Institute for Fiscal Studies** (IFS) responded to the Universal Credit proposals in January 2011⁶⁴. Its response was positive in relation to many elements: the new system should simplify the existing complicated overlap between benefits and tax credits, make life easier for claimants and reduce fraud and error. Some reservations were expressed however:

“The Universal Credit will dramatically change the welfare system for working-age adults. If successful, it will make the welfare system more effective and coherent. But it will create winners and losers in the process: couples with children will gain from it and, when transitional protection expires, lone parents will lose.”

The authors of the report envisage that Universal Credit system will have both positive and negative implications in relation to work incentives. On average, single adults and the main earners in couples will have stronger incentives. The new system will, however, create weaker incentives for both adults in a couple to work rather than just

⁶² See for example *Not working: CAB evidence on the ESA work capability assessment* Citizens Advice March 2010
http://www.citizensadvice.org.uk/not_working

⁶³ The Fawcett Society is a registered charity which campaigns for equality between men and women.

⁶⁴ http://www.ifs.org.uk/pr/uc_2011.pdf

one. Finally, the policy will lead to stronger incentives for low earners to earn more, but slightly weaker incentives for middle earners to earn more.

The authors concluded that families with children with over £16,000 of savings will be a clear group of losers from the new system. At the moment such families are eligible for tax credits – however they will not qualify for any Universal Credit. The authors infer:

“This may well focus spending on those who need it most, but also gives families an extremely strong incentive to keep financial assets below this level.”

The **Institute for Public Policy Research**⁶⁵ (IPPR) responded to the Universal Credit White Paper in November 2010⁶⁶ welcoming Universal Credit (UC) as a “*sound idea*” though expressing reservations about a number of the elements aimed at improving incentives to work and making work pay.

The IPPR identified local differences in child care and transport costs as the main barrier to addressing the real cost of work. They argued that this contradicts the assertion that people will always be better off in work. IPPR predict there will be rises in these costs in the next few years. Because childcare and transport costs vary so widely across the country, it believes that a national Universal Credit system will mean that parents in some parts of the country will find work financially unviable, for example in London.

The IPPR saw a lack of jobs as another major problem, as the UK is experiencing high numbers of young people out of work and growing long term unemployment. In its view, the £2 billion of funding required for UC would be better spent on subsidising jobs so that jobseekers are guaranteed a job- one that they would have to take up.

The IPPR challenged government’s claim that work incentives are key – it considers that the proposed changes will make it harder for working families to afford the childcare that enables them to work warning that that at least half the benefit cuts will hit working families. For example, support for working families for childcare costs through the tax credit system is being reduced from 80% of total costs to 70% and families claiming maximum support for childcare could lose up to £1,500 a year.

The IPPR authors saw compulsory unpaid work as a “right principle” but a “wrong reform”. People’s job prospects, they maintain, will only improve through genuine work, and the unpaid work being proposed by the government is unlikely to offer this and may not be well regarded by employers.

⁶⁵ The IPPR is an independent think tank founded in 1986 by Lord Hollick.

⁶⁶ *Universal Credit White Paper: IPPR response* November 2010

<http://www.ippr.org.uk/members/download.asp?f=%2Fecomm%2Ffiles%2Funiversal+credit+white+paper+ippr+response%2Epdf>

The IPPR were also concerned about the discretion placed upon advisors in imposing compulsory unpaid work. This option will be less effective for the more recently unemployed and consequently will be more punitive in nature (previously it only applied to those who had been receiving Jobseeker's allowance for two years or more). The IPPR favoured subsidised job schemes which pay a proper wage – as these are more effective than workfare and should be a priority.

The **Centre for Social Justice** indicated its approval of "Universal Credit: Welfare that works" noting that its own work on welfare had been a major influence on the White Paper. It stated:

"..Britain's broken communities are defined by five characteristics, which we define as the pathways to poverty: family breakdown, educational failure, drug and alcohol addiction, severe personal indebtedness and economic dependency – caused by intergenerational worklessness. We are delighted to see the government today taking a massive step towards tackling one of the most significant drivers of poverty and cutting through the biggest barrier to work – the welfare state itself."

In its response to the proposals for Universal Credit, **The Joseph Rowntree Foundation (JRF)** highlighted issues around conditionality and sanctions in the benefit system. Its recent research report *A Review of Benefit Sanctions*⁶⁷ had warned that whilst international research has shown positive short term effects, little is understood about the longer term impacts of sanctions upon earnings over time, child well-being and job quality. JRF stressed the importance of making sure the rules for sanctions are understood by jobseekers and that some discretion is applied, including around the impact on other members of a household.

JRF stressed the need for a benefit policy which ensures that jobseekers achieve a good job match – as research evidence shows that this leads to higher earnings and less job 'churning' in the longer term.

*"It will be no good for long term poverty if the benefits bill is reduced by making it easier for people to get stuck in cycles of low-paid, unskilled, insecure and dead-end jobs"*⁶⁸

Reform of Disability Living Allowance (DLA)

Think-tank **Demos** published a report called *Destination Unknown*⁶⁹ in October 2010 which examined the impact on disabled people of the proposed changes to the welfare

⁶⁷ A review of benefit sanctions Joseph Rowntree Foundation December 2010

www.jrf.org.uk/publications/review-of-benefit-sanctions

⁶⁸ The Universal Credit: an antidote to Poverty? 11 November 2010

www.jrf.org.uk/blog/2010/11/universal-credit-antidote-poverty

⁶⁹ www.demos.co.uk/files/Destination_unknown_-_web.pdf?1286894260

system. The report estimated that large numbers of individuals with disabilities and their families will have lost out on significant amounts of essential support by 2015. The cuts to benefits and services are likely to have a disproportionate effect on them compared to their non-disabled counterparts. In *Destination Unknown Demos* discerned a key change in policy was occurring—namely a move away from a 'social' model of disability and an increasing focus on the medical aspect of disability. *Demos* disagreed with the references in the government proposals about “incentives to work” as a rationale for benefit cuts. For a start, it pointed out, DLA is not an out of work benefit and that many employed people receive it. And they further stressed, government needs to make sure there are jobs for disabled people to fill if it is so keen on incentivising work.

The Institute for Fiscal Studies (IFS) commented on the impact on Northern Ireland of the proposed changes to DLA⁷⁰. It estimated that Northern Ireland is likely to be particularly affected by the stricter medical test for claiming DLA due to the fact that NI has a relatively higher proportion claiming DLA compared with other regions in the UK.

Reform of Housing Benefit

The **Joseph Rowntree Foundation** (JRF) in its *Response to the Department for Work and Pensions 21st Century Welfare*⁷¹ (October 2010) commented on the benefit reforms announced in the June Budget, including those to Housing Benefit and Local Housing Allowance (LHA). JRF anticipate some negative consequences from these changes, for example, setting LHA at the 30th percentile and restricting the costs of LHA in high rent areas. In its view, these changes will reduce the upper level of support and put downward pressure on private rents. Lower levels of LHA may well increase arrears and evictions and landlords may respond at the margin by reducing their willingness to let to benefit recipients.

JRF estimate that tightening the rules relating to LHA is going to reduce its role as a means of addressing long term need and lead to short duration tenancies in the rental market and thus be unsuitable for the needs of low-income households.

Reducing Housing Benefit by 10% after 12 months claiming Jobseekers Allowance is a controversial move in JRF's view – and JRF anticipates it will confront landlords with possibly increasing arrears and may put the onus on the housing provider to cope with the shortfall.

⁷⁰ *The Impact of Tax and Benefit Reforms to be introduced between 2010-11 and 2014-15 in Northern Ireland*

<http://www.ifs.org.uk/bns/bn114.pdf>

⁷¹ <http://www.jrf.org.uk/sites/files/jrf/DWP-welfare-response-Oct2010.pdf>

Reform of State Pension

The proposals state that over a ten year period women's pension age will rise by six years, while over the same period, men's pension age goes up by just one year. Critics of the proposals have stated that women are bearing the brunt of the changes; others have noted that people in their 50s have little chance to plan properly for a delayed retirement. This group, they stress, have seen little return on their savings due to low interest rates and lukewarm investment returns. The implications are that those who don't want to work the extra years will have to save more.

A short overview of the spending review by the **Institute for Public Policy Research** (ippr) in December 2010⁷² took the view that it was families with children who were the biggest losers from the reforms -in stark contrast to pensioners. Their analysis acknowledged that pensioners will be affected by the changes to savings credit which will be frozen for four years and thus made less generous. However, the IPPR saw the retaining of the winter fuel allowances, free TV licences and bus passes as a very positive result for pensioners across all income groups.

⁷² A new generational compact Nick Pearce and Gavin Kelly IPPR 3 December 2010.
www.ippr.org.uk/articles/?id=4243