

# WELFARE REFORM



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# Introduction

- Context and Drivers for Reform.
- What are the main changes to welfare as a result of the Act ?
- What this means to employment support services.

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# The Government's aims

- to make the system of benefits and tax credits fairer and simpler;
- creating the incentives to get more people into work by ensuring “work always pays”;
- protecting the most vulnerable in our society;
- delivering fairness to those claiming benefit and to the taxpayer.

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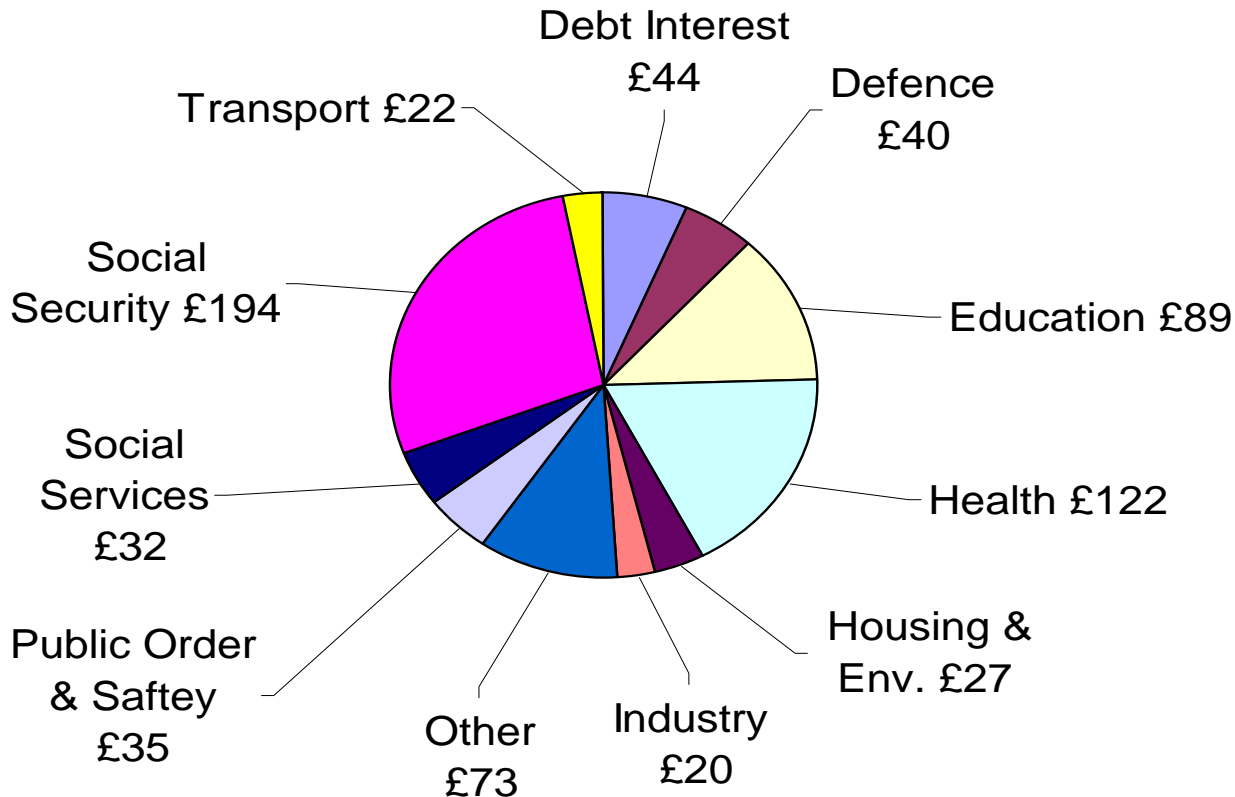
# Drivers for Reform

- More than £100 billion is currently spent on welfare reform with major implications for public spending (Institute of Fiscal Studies 2012);

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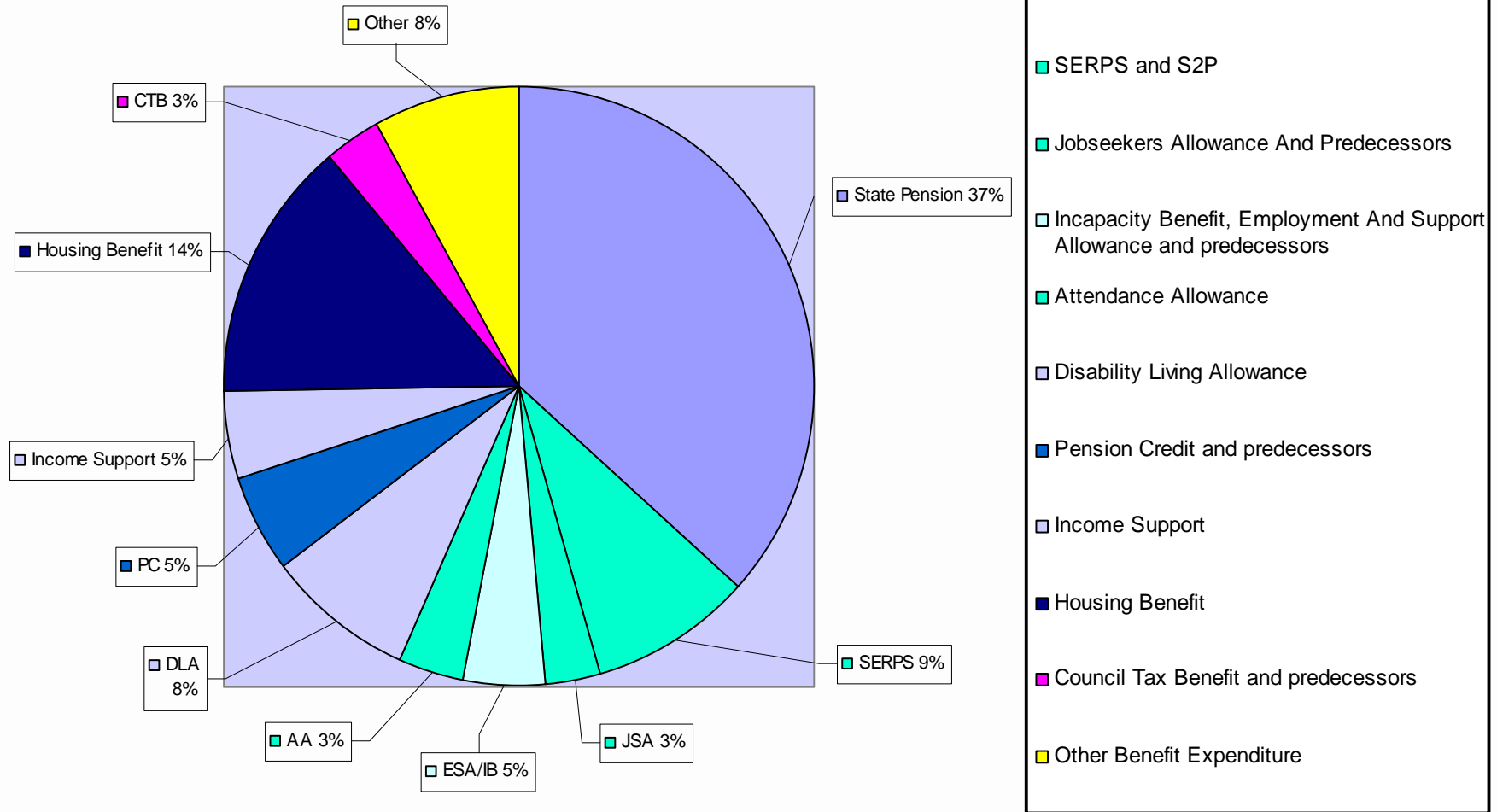


# Budget by Amount £ billions



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# Budget by Benefit



- State Pension
- SERPS and S2P
- Jobseekers Allowance And Predecessors
- Incapacity Benefit, Employment And Support Allowance and predecessors
- Attendance Allowance
- Disability Living Allowance
- Pension Credit and predecessors
- Income Support
- Housing Benefit
- Council Tax Benefit and predecessors
- Other Benefit Expenditure

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- The largest benefits (excluding state pension and pension credit) are:
- **Tax credits** (£28.5bn) (Universal Credit)
- **Housing Benefit** (£23.7bn) (Universal Credit)
- Child Benefit
- Disability Living Allowance (£13.8bn)
- **Employment Support Allowance** (£10.9bn) (Universal Credit)
- Attendance Allowance (£6.3bn)
- **Jobseeker's Allowance** (£5.9bn) (Universal Credit)
- Council Tax Benefit (£4.5bn)
- **Income Support** (£2.7bn) (Universal Credit)
- Statutory Maternity Pay (£2.4bn)
- Winter Fuel Payments (£2.1bn).

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- CSR period from 2010 - £18 billion savings will be made by welfare reform; Spring Budget (2012) announced an extra £10 billion;
- Reduce spending on support for Council Tax by 10%, or £500 million each year.

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# Employment and Support Allowance

- Replacing Incapacity Benefit and Income Support paid due to ill-health – full migration from April 2011 onwards, over 3 year period
- Maximum of 1.5 million claimants to transfer
- DWP estimate that 20% will fail to qualify after undergoing Work Capability Assessment

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# Employment and Support Allowance

- Some will get jobs
- 40,000 are parents who still get child additions within income support – they will transfer to ESA/JSA + child tax credit
- Transitional protection (frozen benefit) but only for those who go on to ESA

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# Employment and Support Allowance

- From April 2012, entitlement to contributory ESA for those in the work-related activity group limited to one year
- For existing contributory ESA customers, the time limit will apply at the point they reach one year including the assessment phase. Those with a claim duration of one year or more when legislation comes into effect will have their benefit time-limited immediately and 'will have at least 12 months to prepare for the change'

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# Welfare Reform Act 2012

- Legislates for the biggest change to the welfare system for over 60 years;
- The introduction of Universal Credit (but not the only change to the welfare system) ;
- Universal Credit replaces Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit, and Working Tax Credit;

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- the Act replaces centralised support for Council Tax Benefit with a localised support mechanism;
- changes to Housing Benefit;
- the Act abolishes the Social Fund;
- the Disability Living Allowance (DLA) is to be replaced for all working-age claimants by a Personal Independence Payment;

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- the Act empowers the government to put a cap on the total benefits to which an individual or couple is entitled;
- Employment Support Allowance (ESA) will be limited to 365 days;
- the ‘Youth’ provision, enabling disabled young people to qualify for the benefit without paying National Insurance contributions is abolished by the Act.

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# Government assessment of the impact of the Act

- There are more than 40 changes to the welfare system listed in the Treasury Red Book and Spending Review for 2010;
- Universal Credit will have substantial positive impact on poverty;

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# Winners and Losers...

- Institute of Fiscal Studies analysis of Universal Credit in isolation concludes that the reform will give rise to both winners and in the long run losers; however.....

‘the changes altogether will substantially reduce government spending on social security benefits and tax credits and will act to increase relative and absolute measures of income poverty over the next decade’;

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# Challenges

- Current economic climate indicating slow growth and higher unemployment;
- Assumptions being made that jobs will be created in the private sector;
- Concerns raised by the Church, Charities and the House of Lords- poverty/ worklessness / £26 k cap;
- The highest rates of unemployment are in the North East.

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# Disability Living Allowance: April 2013

- Personal Independence Payment (PIP)
- New criteria for working age claims – “point-scoring” system similar to ESA
- New process – less self-assessment and more medical examinations
- DWP estimate a 20% reduction in expenditure and caseload
- Total saving – £360m in 2013/14 and £1,075m in 2014/15

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# Housing Benefit

- Local Housing Allowance-30%
- Shared room rate for under 35's

April 2013

- Under occupation rules
- Working age
- Social Housing
- U/occ one room =£14 per week less HB etc

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# Social Fund: April 2013

- Scrapped for Community Care Grants & Crisis Loans
- Monies passed to Local Authorities
- Not ring fenced

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# Council Tax Benefit

- Localised
- L.A's own scheme
- 10% reduction
- L.A's to protect pensioners and vulnerable groups

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# Benefit Cap: April 2013

- £26,000 couples/lone parent households
- £18,500 single person households

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# Exemptions

If claimant or partner or child gets:

- Working Tax Credit
- DLA or Constant Attendance Allowance

If someone in household is:

- in receipt of Attendance Allowance
- a War Widow/Widower

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# Impact on individuals and families

- The Act will affect approximately half of households who will have to re-apply for a new benefit or be re-assessed.

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# County Durham

- At least **32,000** DWP benefit claimants affected by Welfare Reform will transfer to UC – an estimated further **24,000** IB claimants may transfer depending how IB/ESA migration develops;
- **53,000** Tax Credit Families will transfer to UC;
- **47,000** Housing Benefit claimants in total will transfer to UC;
- **63,000** Council Tax Benefit claimants subject to Welfare Reform;
- **23,000** DLA claimants (of working age) subject to Welfare Reform.

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# Impact on the local economy

- Economic development and regeneration is the most important priority for Local Authorities;
- Proposals in welfare reform are likely to mean that there is less money in the local economy.

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# Impact on the Council

- the need to develop new systems to administer localised benefits could result in increased administration costs;
- transition to new arrangements could leave claimants confused by the changes or unable to use new online claim processes - leading to increased demand for more Information, Advice and Guidance (face to face services);

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- proposed caps to HB could lead to increased demand for smaller, cheaper properties;
- the timescale allotted to the introduction of the scheme is extremely tight- possible difficulties for both software suppliers and the LA to deliver for the 1st April 2013.

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# Supported employment

- The aim of UC is to ensure everyone is better off in work rather than out of work
- Intended that claimants will keep much more of the benefit when moving in to work
- Should be easier to work out how much better off you will be

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- No mention of permitted work in the UC regulations
- Earnings disregards not yet published
- 65% taper will be applied

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# In the news

The Guardian reported that the government has drawn up plans to withdraw £71 a week from sick and disabled benefit claimants if they fail to take steps to get back into the workplace.

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# Conclusion

- Welfare Reform is complex and complicated;
- Major change;
- Need to understand the implications and plan to deliver accordingly.

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