Welfare Reform - the emerging issues

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• Welfare reform – big picture
• Changes to current system
• DLA to PIP
• Universal Credit
Key elements of reform

- **Cuts** - £18bn of welfare cuts 2011-2014 - HB cuts, benefit uprating changes, tax credit cuts. Further capping of benefit uprating in Autumn Statement

- **Universal Credit** - integration of means-tested working age benefits and tax credits from late 2013.

- **PIP** - Personal Independence Payments to replace DLA
Welfare Reform Act – key changes

Two new benefits:
- Introduces Universal Credit
- DLA replaced by PIP

Other changes:
- Cap on total household benefits
- Benefits uprated by CPI
- ESA(CB) for those in work-related activity group limited to 12 months
- Longer and harsher sanctions - up to 3 years
- Social fund – abolition of CCGs and crisis loans. Budget transferred, un-ring-fenced, to LAs
- Abolition of council tax benefit and transfer budget (less 10%) to LAs
- HB cuts where social housing tenants are under-occupying

Some small wins during passage of Bill
Personal Independence Payments

• Starting point: cut costs by 20%

• Mobility & Daily Living elements: standard & higher rates – concern that distance can walk now limited to 20 metres

• End of automatic entitlements for conditions (except terminal illness)

• Independent assessments, (aim should be accuracy not independence) periodic review & penalties for failure to notify of changes in condition.
Universal Credit

• **How it will work**
  - Combines working age benefits and tax credits into one household allowance - “personal allowance”

• **Payment levels**
  - Full allowance if household has no other income and up to £6,000 of savings; tapered if savings between £6,000 & £16,000; no UC where savings over £16,000.
  - Households to be entitled to varying earnings disregards
  - Single taper set at 65%

• **Implementation**
  - pathfinders April 2013
  - Rollout from October 2013
Additional support for disabled people in UC

- All additional support for disabled people will be through the work capability assessment (WCA) and for those in work the disability disregard
- Work related activity group (WRAG) - limited capability for work (LCW) addition
- Support group - limited capability for work and work related activity component (LCWRA)
- Additions in the maximum amount will remain
  - out of work
  - in work also disability disregard but see slide on disabled people in work – who can qualify for WCA
Universal Credit - concerns

- Delivery
- Structure of support for disabled people
- Help with childcare costs
- Passporting
- Support with council tax not included
- Pensioners can only claim PC when both reach pension age
- Complexity in transition period for those who are entitled to transitional protection
How it works

• Someone on JSA (£71) and paying rent of £70 (HB £70) and council tax of £15 (CTB £15)
• Universal Credit of £141 – apply for council tax support
• First £25 disregarded
• Earns £25 – keeps all £141 UC
• 65% taper so:
  • Earns £125 loses £65 of UC so now UC is £141-£65 = £76
• Total income £76(UC) + £125(wages) = £201
• Income after housing costs = £201-£85 = £116
Delivery

- Monthly payments
- Payment into one account – payments for children no longer to main carer
- No direct payments
- Digital by default
- Will be some exclusions from above
Structure of payments for disabled people

• Some disabled people will gain but cuts for others not well targeted and will cause severe hardship
• Severe disability premium abolished – SDP gives additional financial help to severely disabled people who live alone and don’t have a carer
• Disability additions for most disabled children reduced
• No equivalent of the disability element of WTC for disabled people who would be found fit for work
• Inquiry by Baroness Tanni Grey-Thompson
  • Disability and UC – calculations showing who will lose and who will gain
  • Holes in the safety net – likely impact of these changes - based on survey of 3500 disabled people
Severe disability premium

Current system
• £58 a week in means tested benefits
• Live on own and don’t have a carer or only young carer

Under UC
• No equivalent in UC – money saved into support group
• Those in support group who live on their own £28/wk worse off
• Evidence this group already very socially isolated
• Unlikely to have social care or only for essentials of care
• Many extra costs such as cleaning, minor household maintenance jobs, transport etc
Support for disabled people in work

Current system
• Work less than 16 hours – permitted work
• 16 hours or more – WTC with disability element

Under UC
• Earn less than £97 (16hrs min wage) - if in WRAG get WRAG comp and disability disregard
• Earn more than £97 no extra help unless on DLA/PIP and in WRAG (cant have WCA unless on DLA/PIP or already assessed)
• Survey showed lots of extra costs not covered by Access to Work eg energy used for work means need for cleaner
Any questions?

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