

NAWRA - Recent and Forthcoming Benefit Changes – January 2012

Date	Benefit	Change	Impact	Analysis
Jan 2011	Old “sickness route” benefits	<ul style="list-style-type: none"> No new linked claims for Incapacity Benefit, SDA or Income Support (for sickness) from 31/01/11. Claimants no longer return to old rate but claim lower ESA and face Work Capability Assessment 	<p>Targets those who have tried move from “welfare to work”. Reneges on “trial period” promise (e.g. to WTC claimants etc that could return to previous rate of benefit if job did not work out).</p> <p>A significant cut, in benefits and less certainty of being able to continue on benefit given harder ESA tests.</p>	<p>Hits precisely people who have done what Governments want them to do. Undermines future confidence and will make people more fearful of attempting work. At odds with normal precedent of not making retrospective changes and aim of encouraging “welfare to work”</p>
March 2011 to April 2014	Employment and Support Allowance	<p>Migration of existing claimants (of Incapacity Benefit, Severe Disablement Allowance and Income Support through sickness) begins. To be completed by April 2014, with individual Work Capability Assessments to determine if can transfer to ESA:</p> <p>If “YES” switch to ESA at transitionally protected rate - but may <i>still</i> lose Contributory ESA after April 2012</p> <p>If “NO” can appeal and get assessment phase ESA pending, sign on for income based JSA or lose benefit.</p> <p>CUT of up to £2,500 million pa (30%) by 2014</p>	<ul style="list-style-type: none"> Affects around 1.5 million people across UK with a disproportionate effect in deprived areas with a high incidence of long term limiting illness. Pilots show a 30% “failure rate” (as opposed to 15% forecast) Some groups previously exempt (e.g. severe mental health/ learning disabilities or on DLA Higher Care) face test for the first time. Additional support needs (e.g. CMHTs, CSTs). Likely increase in demand for advice and help with appeals Of those disallowed 50% may get JSA, 50% lose benefit 	<p>Originally ESA was only for <i>new</i> claimants (to avoid memories of previous migration from Invalidity Benefit). ESA was meant to be an enabling benefit (albeit with some compulsion) to support people into work at a time of high employment</p> <p>The IB Personal Capability Assessment system was already the toughest in the developed world and fraud/error rates were c.0.5%. The priority in ESA increasingly shifted to benefits savings and blame</p> <p>Refusal rates for new claimants has been far higher than Parliament were led to believe (68% rather than 50%). Job Centre staff reporting a significant gap between those “failing” the ESA test and having realistic employability.</p>
April 2011	ALL working age benefits	Increases will be set by the <i>Consumer Price Index</i> (which produces consistently lower increases) instead of the <i>Retail Price Index</i> or the <i>Rossi</i> index. CUT of £7,555 MILLION pa by 2014/15	Those receiving any benefit will see its value decrease over time, lessening their ability to pay for essentials. Will be the biggest cut of all by 2015	Together with the VAT increase in January ‘11 from 15% to 20% and higher inflation in basic essentials, could make everyday life unaffordable for those with benefits income. While a high increase of 5.2% in September establishes big increases in April 2012, still below RPI of 5.6%
	Child Benefit	Frozen for three years CUT of £1285 million pa by 2014/15	As prices rise and benefit doesn’t, families afford less.	More cuts affecting ALL families and children, poorest most.
	Maternity Grant	Restricted to the first child only	Babies in neighbourhoods with complex financial and social problems now denied £500.	Help withheld from larger families in areas of high disadvantage, with greatest risk of poverty.
	BOTH Tax Credits	Taper on income for tax credits moves from 39% to 41% CUT of £755 million pa by 2014/15	Increases “marginal tax rate” by 2%	Affects low income working families in particular
	Working Tax Credit	Fall from £25,000 to £10,000 in “ <i>disregarded increases in income during the current tax year</i> ” CUT of £540 million by 2014/15	Likely return of destabilising effect of overpayment recovery experienced in early years of tax credits. Moving into work paying over £10K may lead to overpayment problems.	Administrative complexity and cost for HMRC and less predictability and increased fear of recovery may be a disincentive to move from benefits into work.
	Working Tax Credit	Basic & 30 hour elements in WTC frozen for 3 years. CUT of £625 million by 2014/15	The amount of tax credits to working families reduces in real terms .	This and other changes below are all cuts targeting working families and may do not fit well with the stated aim: of “ <i>making work pay</i> ”
Working Tax Credit	New category for workers aged 60+ who can claim WTC if working over 16 hours at 60 +, regardless of whether a disabled worker or have children.	Helps older workers to explore reduced hours option. Previously if no dependent children or not a disabled worker, then would have needed to work 30 hours to get WTC	Another option at 60 + to support carrying on in work, but may overlap with £ for £ reduction in Pension Credit if low earnings	
Working Tax Credit	Childcare element of WTC reduced from 80% to 70% of actual childcare costs up to a capped maximum. CUT of £385 million pa by 2014/15	Those who qualify for help with their childcare costs will receive significantly less. Those with higher childcare costs will be worst hit.	Childcare is frequently cited as a major barrier to work, effectively reducing working parents’ take-home pay. This cut will increase childcare costs for low-paid parents.	

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April 2011	Child Tax Credit	Income threshold for family element of CTC reduce from £50,000 pa to £40,000 a year. Taper above threshold increased sharply from 6.66% to individual element taper of 41%. CUT of £135 million by 2014/15	"Better off families" lose £42 a month. Family Element now fully extinguished at £41,230 instead of £58,000 (or £66,000 when Baby Addition applied)	Some nominally "better off" families will feel the cut, especially if they have high housing or other living costs.
		Baby addition to CTC Family Element scrapped. CUT of £275 million by 2014/15	Families with a child under age of one lose up to £10.50 pw	A cut hitting children already in poverty the hardest.
		A one off increase of £180 a year above normal increase with further Increase of £920 million	Will benefit families on lower incomes. Partly offset by freeze of Child Benefit, but does target increase.	Welcome, but will not counter effect of other benefit cuts on child poverty, especially for parents working on low incomes, tenants, jobseekers, with a long term limiting illness or long term unemployed.
	Housing Benefit	Local Housing Allowance capped at: for 1 bed (£250), 2 bed (£290), 3 bed (£340) and 4 bed (£400) 5 bed rate abolished. CUT of £165 million pa	Reducing the amount going to low-income households to help pay their rent, especially those who need a larger home.	Caps will mainly affect London and the SE, as elsewhere LHAs may be below new caps. Scrapping the 5-bed rate will affect larger families everywhere.
		Non-dependant deductions - large increases over next 3 years to make up ground since last increase 10 years ago. CUT of £210 million pa	Affects tenants with non-dependant adults (e.g. parents, grown up children) living in house. Non-dependants may not always be willing - or be asked - to make up the shortfall	A major cause of rent arrears, family disputes and potential homelessness. Goes against policy aims of maximising use of housing stock and supporting families
		Local Housing Allowance Rates will be set at the 30 th percentile of local private rent prices, not the 50 th . Cut of £475 million by 2014/15	Only 1/3 (instead of 1/2) of available private rented housing locally will be affordable to HB claimants.	A big cut which increase of £40 million pa in Discretionary Housing Payments will do little to offset.
		LHA: Additional room if needed for a carer. INCREASE of £15 million pa	A gain that supports caring, but still ignores needs within a family (e.g. A separate room for a disabled child, partners needing separate rooms because of disability)	Long needed improvement, but does not address extra space needs within a family from disability. Does not address issue of spare room to enable "shared care" of children living elsewhere
		No longer keep up to £15 if rent below LHA	Will only affect tenants whose rent was below the LHA	Tenants may have got used to extra income will feel the loss.
	Pension age	<ul style="list-style-type: none"> Equal pension age: equal pension age of 65 to now be achieved by November 2018 Higher Pension age: equal pension age to rise to 66 by October 2020. Rising to 67 by 2028. Cut of £60 billion between 2026 and 2036 	<p>Raises minimum age for claiming both Retirement Pension and Pension Credit. Equalisation has been speeded up but increase to 66 delayed.</p> <p>Change allows for higher RP and easier NI conditions.</p>	<p>Current age said to be "financially unsustainable", as smaller working age population has to fund growing RP bill but there is a choice.</p> <p>People can already choose to work on, but a higher pension age hits those in physical jobs and those hit by tougher tests for ESA. Increased competition for young workers in recession.</p>
	Retirement Pension	To be increased by the highest of: consumer price increase, average earnings or 2.5% each year Increase of £1530 million pa by 2014/15	Restores link with earnings and offers a "triple guarantee" for future pensions. Will make a significant difference over time to pension levels. Commitment to universalism in tackling pensioner poverty also seen in retention of other universal benefits Cold Weather Payments, TV licenses at 75+, bus passes, health benefits etc	Welcome restoration of previous permanent commitment abolished in 1979 - and implemented in some years from 1997 to 2010). Link allows pensioners to keep up with general increase in living standards, reducing tendency to growing inequality and marginalisation. A pension only linked to prices since 1948 would be c £45 pw. This contrasts markedly with approach for "working age" claimants and children
Pension Credit	Increase to match basic state pension cash increase Increase of £650 million pa by 2014/15.	As above. Increases gain for the income of the poorest 20% or so of pensioners on Guarantee Credit	May to some extent offset cuts to Savings Credit that could affect 50% of pensioners (see below). PC has only a 65 to 70% take up so need remains to encourage take-up and maximise entitlement linked to AA	
	Savings Credit maximum frozen for next 3 years. Cut of at least £330 million pa by 2014/15. Reduced in April 2012 – see below	Affects those on minimal incomes—or levels just above it - who get a bonus for saving for retirement	May offset effect of other increases. Counter to general policy aim of encouraging people to make provision	
Sep 2011	Educational Maintenance Allowance	Abolished in England. A loss of up to £30 a week for young people on low incomes staying on at school or college. About 10% as discretionary funding	Will impact particularly on 16 to 19 year olds from low income families, who lose up to £30 a week (and bonuses for attendance, attainment). Some may give up, others do less well.	Colleges value the extra resource for books/travel and incentives. Likely to increase NEETs and attainment gap between richer and poorer areas and reduce social mobility.

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Jan 2012	Housing Benefit	LHA Single room rent restriction for single people (not lone parents) under 25 extended to people aged under 35 . CUT of £215 million pa by 2014/15	Further extends restriction for people in private sector tenancies, increasing marginalisation and ghettoization. Exempt groups remain.	Rationale for lower rates "reflecting a different labour market reality", but unlikely in mid 30s. Will hit parents with "shared care" of children who may not have suitable accommodation for children to stay over.
	Income Support (lone parents)	New claims for IS (lone parents) only if a child under age of 5 (was reduced to 7 in October 2010). If not then "sign on" for JSA. Existing claimants with no child under 5 will have the benefit removed in phases.	Over 100,000 lone parents switched from Income Support onto JSA since 25/10/10. Nominally same benefit rate, but must "actively seek" and be "available for work" or face JSA sanctions. Change was due from October 2011 but this is latest date, but no amendments as yet.	Lone parents want to work <i>where jobs and support exist</i> , when it is right for their children etc. Compulsion via JSA may just distract from action on barriers to work and risks increased child poverty. 21% of children of single parent who work full time are in income poverty.
April 2012	Working Tax Credit	Couples with children must work at least 24 hours combined (rather than 16) to qualify; with one working at least 16 hours. CUT of £390 million pa Couple and lone parent elements frozen for 2012/13. CUT of £275 million by 2014/15 50 plus element scrapped. CUT of £50 million	Families on low earnings on low hours lose WTC. Those aged 50+ moving from unemployment into low-paid work now denied WTC.	Impacts on working families where unable to find or work additional hours (e.g. because juggling caring responsibilities). Opens a gap for many between 16 and 24 hours where no top up income is available and may have to give up work.
	Child Tax Credit	Family Element income threshold abolished, so will start to taper off straight after CTC individual elements. CUT of £480 million pa by 2014/15	Family element (worth £10.50 pw) will cease being paid at much lower incomes than before affecting many on average earnings	Undermines idea to include 90% parents in the system to adjust support in system. Would this even be considered had this remained as an income tax allowance?
	ALL Tax Credits	New rule of disregarding an income drop of £2,500. CUT of £510 million by 2014/15	Tax credits will not increase to help you if your income drops unless the drop is <i>more</i> than £2,500.	Housing Benefit and Council Tax Benefit will still be adjusted for income drops & should be notified.
		Time limit for notifying changes of circumstances cut from 3 months to 1 month. CUT of £360 million pa	People will have less time to inform HMRC about changes affecting their tax credits.	Saving assumes a significant loss for people who miss deadline A particular problem for new parent(s), who may be under pressure adapting after a new baby, especially if any other difficulties.
	Contributory ESA	Limited to 1 year for people in the "work-related activity" group. Support group not affected. CUT of £1,100 million by 2014/15	Loss of independent income for those with savings or working partners. Applied retrospectively, so some will lose ESA straight away. Doubles cuts from migration and WCA.	Reneges on NI contract and principle of collective mutual social security. Pressure to take out less cost effective private insurance. Potential increased resentment of those still able to claim Income-related ESA.
	ESA in Youth	Abolished from April 2012 . Claimants switch to Income related ESA or come off benefit	Ends non-means tested ESA for fewer than 20s. Targets people with severe or long term illnesses or disabilities	Particular affects people with learning disabilities. Not all claimants will be able to get Income-related ESA instead, (e.g. if a working partner, compensation payment or capital provision made by parents).
	Pension Credit	Savings credit reduced to £18.54 (single) and £23.73 (couple). Also threshold for qualifying increased by 8.4%	Fewer pensioners will qualify for the savings credit and those that do will receive less.	Reduces the reward for 'moderate provision' – will affect pensioners with small amounts of savings/ occupational pensions.
Jan 2013	Child Benefit	Withdrawn from families with a higher-rate taxpayer. CUT of £2,485 million by 2014/15	A lone parent family on £44k loses child benefit, but a two-parent family on £86k may keep it. Ends universal Child Benefit, increases admin costs and complexity	Undermines value placed on all children; CB redistributes from those without children to those with and main earner to main carer. Undermines support for collective social security.
April 2013 (ctd. below)	Tax Credits	Increased income disregard falls to £5,000 (included in April 2011 cut)	A further cut similar to that of April '11.	Further exacerbates cost, complexity and disincentives.
	Council Tax Benefit	Handover of responsibility for CTB schemes to local authorities within a 10% reduced budget CUT of £490 million by 2014/15	A cut in support for all those on low income to help pay council tax and potential variation between schemes	Cuts impact may be magnified by pressure for above inflation council tax rises. Increased complexity and confusion

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April 2013	Housing Benefit	Restricted to the number of rooms "needed" in social housing (already happens in private rented housing). CUT of £490 million pa by 2014/15	Applies to "working age" families. If a family is in a larger home than they are deemed to "need", benefit will reduce, causing a shortfall in rent.	A child leaving home could mean debt or a house-move, for remaining family. Could reduce chances of a child returning from care if housing is no longer suitable.
		HB to be used to apply a cap on total benefits income (unless on DLA or Working Tax Credit) at median income" (c £350 for single adult, £500 for couples). CUT of £270 million pa	People affected will have same low disposable income as most benefit claimants, but have high HB as a result of market and policy failure in supply of affordable housing. Likely to risk homelessness, migration and ghettoisation.	Increased commuting costs for low paid and key workers in high cost areas. Move towards segregation as seen in other capitals (e.g. Paris). Mainly an issue in high rent areas (e.g. London) but ripple effect beyond. Savings on HB may be offset by increases to housing and social services
		Local Housing Allowance rates up-rated in line with the <i>consumer price index</i> not average market rents. CUT of £290 million by 2014/15	Housing benefit will no longer be based on what rent actually costs.	Shortfalls in rent will have to be found out of other income. Debt and evictions are likely to increase.
	Disability Living Allowance & Personal Independence Payment	DLA to be replaced by PIP, features include: <ul style="list-style-type: none"> 20% budget cut and focus on most disabled 2 rates based in each component based on severely limited/ limited ability for daily living activity and/or mobilising activity Medical assessment of all claims using ESA style descriptors focussing on more restricted list of mainly essential living tasks Longer 6 month qualifying period CUT of £1,070 million pa (20% of the budget)	Loss of DLA for those failing the new Personal Independence Payment (PIP) criteria. Likely to hit those with less easily definable issues (e.g. autism, mental health, MS, cancer). Proposed descriptors – currently out for trial/consultation - look to: <ul style="list-style-type: none"> over define limitations to a medicalised yes/no complex descriptor (as per ESA) remove potential for reasonableness, flexibility and adjustments (and all gains from case law) within DLA – even if not always applied... Discriminate against verbal attention and mental health conditions A double impact for those on lowest incomes as loss of DLA will mean loss of DLA related premiums, which are also under review for UC.	PIP seems likely to be more confused, arbitrary and expensive, increasing reliance on "snap shot" picture from a medical perspective, focussing on essential survival tasks rather than support to live independently (or even into work). Abandons slow progress made in DLA case law towards a common sense, flexibility and social model of illness and disability Cuts will impact on resources for supported housing, home care and individual / personalised budgets and PIP could lead to increased dependence on social services or any local "big society". Claimant numbers are a factor in council funding Disproportionate effect in lower income areas as typically much higher % of population claim and will suffer a double loss from of DLA related premiums in means tested benefits / tax credits. UC proposals look to cut significantly.
	Social Fund	Crisis loans (waiting for benefit claim to be processed) and BLs to be replaced by 'payments on account' All other crisis loans and community care grants abolished. And budget passed to local authorities.	Reliant on 'payments on account' system operating effectively which it has not done previously. Local authorities likely to replace cash system with use of soup kitchens, foodbanks, and furniture reuse projects.	Funding to local authorities is not ring-fenced and there is no statutory requirement to provide so likely to be 'postcode lottery' situations arising. No independent appeal process – IRS disbanded.
Oct. 2013	Universal Credit	Proposal to merge all means tested benefits and tax credits into a single Universal Credit : <ul style="list-style-type: none"> New claims from Oct 2013. Migration to UC by October 2017 with transitional protection Common system of allowances / additions Includes amounts for rent or mortgage interest A single 65% taper as people earn, with disregards for e.g. lone parents and those with disabilities to encourage a few hours work Four levels of work conditionality: <ol style="list-style-type: none"> Full job seeking (as in JSA) Work preparation (as in ESA WRAC) Keeping contact with labour market No conditionality (in work, carers, ESA SC) 	Aims to reduce barriers into work and complex interactions between in work and out of work benefits <ul style="list-style-type: none"> Overall there will be an increase in resources going into the system of some £2 billion Could potentially smooth transition to work with a common assessment of needs and a common withdrawal rate of benefit as income increases Claim is that no-one will be worse off - at least at point of change. Poorest 30% will be better off by £2 to £4 a week. Adult "disability" elements: Draft regs. imply big cuts! Refer only to a "limited capability for work element" and a more generous than present "limited capability for work related activity element". No criteria /elements based on DLA/PIP (e.g. for those with disabilities who are workers, carers, jobseekers or lone parents). Child "disability": two disability elements at same rates as LCW / LCWRA elements but based on receipt of DLA/PIP. A loss of c.£27 pw for those not on DLA Highest Care. Possible charge on property for those getting help with housing costs 	Idea widely seen as having potential, But some real issues: <ul style="list-style-type: none"> The original plan strongly argued for 55% taper. Proposal is for 65%, which could be 85% if CTB stays outside UC. 65% = 76% if paying tax and NI). Will this be too high for incentive effect, when even 50% is being questioned for top earners? Much higher than 41% tax credit taper Earnings disregards look more generous but strange link to housing costs mean many will fall back to only slightly higher minimum disregards. Some will gain and some lose from changes. Linking benefits conditional on not working to in-work benefits may be difficult Confusion between "sickness" and "disability" benefits threatens big cuts for many. Policy intent to standardise on 2 rates (i.e. those for the LCW/LCWRA elements) does not require only route to be via WCA. Unless DLA/PIP related criteria are added (as per children), big losses for those with disabilities for whom the WCA is not relevant. Review of carers benefits leaves CA unchanged, extends a carers element to carers in work, but specifically rules out getting both a carers and a disability element at the same time e.g. where a carer also has disabilities. Reproduces significant HB/CTB housing "poverty trap". Housing and childcare costs remain as major barriers to work