

Scottish Association

of Citizens Advice Bureaux

**Welfare Benefit Up-rating Bill**

**Citizens Advice Scotland briefing for MPs**

**January 2013**

The Scottish CAB Service forms the country’s largest independent advice network. Citizen advice bureaux (CAB) are the key frontline service that helps hundreds of thousands of people and in doing so they deal with over half a million new issues every year. Scottish bureaux achieved a financial gain of almost £140 million for clients in 2011/12.

**Background**

The Welfare Benefits Up-rating Bill was announced following the Chancellor’s Autumn Statement in December. It will introduce a cap of 1% for three years from 2013/14 on most working-age benefits and tax credits.

This includes Jobseekers Allowance, Employment and Support Allowance, Income Support and elements of Housing Benefit. The cap would also apply to Maternity Allowance, sick pay, maternity pay and paternity pay as well as the couple and lone parent elements of the Working Tax Credit and the child element of Child Tax Credit. Child Benefit, Housing Benefit and Universal Credit will be capped for two years from 2014/15.

**Context**

The saving made through this bill equates to 0.9% of the welfare budget by 2015/16. Contrary to popular belief, spending on welfare as a proportion of GDP has been stable over the past ten years until this recession hit, and the value of unemployment benefits has fallen from 21% of average earnings in 1979 to just 11% in 2010. Much of the increase in welfare spending since 2010 has been on pensions.

At the same time, living costs are spiralling. Since 2004 energy costs have risen by 100%[[1]](#footnote-1) and over the last five years, food costs have risen by more than 30%[[2]](#footnote-2). The UK government predicts that unemployment will remain at the peak of 8% during 2013.

Furthermore, these cuts will not only affect individuals receiving the benefits, but will also impact on the Scottish economy: this change means £210 million less being spent in local shops and other businesses. This is on top of the £2.5 billion being taken out of the Scottish economy due to other welfare reforms.

**Impact**

Uprating by just 1% is an equivalent real-terms cut of 4%. Nearly ten million households – the equivalent of 30% of all households will be affected[[3]](#footnote-3). The poorest families will lose the most.

The majority of working-age households in receipt of state support will be affected by this policy, with an average loss of around £3 a week compared to CPI up-rating. Households towards the bottom of the income distribution are more likely to be affected and have a slightly higher average change because they are more likely to receive the affected benefits.

It marks an end to the link between benefits rises and inflation, and leaves the poorest in society at greatest risk from future inflationary pressures. This Bill will have a disproportionate effect on certain groups, particular disabled people and women. The cumulative impact of this change on top of all the other welfare reforms will be severe. It comes alongside:

* reductions in housing benefit, particularly for those seen to over-occupying their homes (the ‘bedroom tax’)
* large numbers of disabled people who will have reduced entitlement or no longer be eligible for support through Personal Independence Payment
* the news that Universal Credit will be less generous to those in work than previously announced
* the introduction of the benefits cap
* changes to tax credit eligibility.
* An East of Scotland CAB reports of a client who says that he has not eaten for a week after his JSA payment was sanctioned and his Housing Benefit was reduced. The client received a two week sanction to his JSA claim after he had forgotten to bring his diary to an appointment. The client’s ongoing situation was already difficult due to the local housing allowance rules for people under 35 years old. He has several month’s rent arrears and is in fuel poverty as he has been using his JSA award to minimise the rent shortfall. The client has already had three crisis loans this year, so cannot make another application, and he has been told that he does not meet the criteria for a hardship payment. The client stated that he will not receive any money for a further five days and that he was in physical pain from lack of food. The bureau arranged for a food parcel referral for the next day while the client will be able to get some food from his sister to last until tomorrow.
* An East of Scotland CAB reports of a client under the age of 35 whose Local Housing Allowance has reduced from £98 to £59 per week. This leaves the client with a rent shortfall of £244 per month to make up from his sickness benefit payments. The client has made an application for discretionary housing payment and is concerned that he will quickly run into arrears without it.
* A disabled client of a West of Scotland CAB received a letter in January 2013 from her council saying she would be subject to a 25% reduction in housing benefit with effect from 1st April 2013 as she has two bedrooms more than her needs. The client receives ESA and DLA and is struggling to make ends meet already without having to pay more money out of her limited funds.

CAB clients are already facing hardship due to reforms which have been, or are about to be, introduced. This new change will only exacerbate clients’ circumstances.

* A client is struggling to cope with the loss of her Working Tax Credit payments. The client works 16 hours per week, but is considering stopping work altogether as she cannot support her family on the wages alone. The client is going to speak with her employer to see if they will increase her working week to 24 hours or more. If she cannot do this, the client is thinking about leaving her employment altogether and claiming JSA. However, if the client was deemed to have left her employment voluntarily she is like to face sanctions to any JSA claim.
* A West of Scotland CAB reports of client whose landlord was threatening to evict her because of rent arrears. The client has mental health issues and is in receipt of Employment and Support Allowance. The arrears have occurred because the client is now only in receipt of the shared room rate for Local Housing Allowance. The bureau have completed a discretionary housing payment application for the client while the landlord has agreed to delay further action to allow the application to be processed.

The number of charitable applications that Citizens Advice Bureaux in Scotland helped with in 2011/12 was double that of 2009/10, and these were mainly for essential goods and services, such as food and heating, which the client was unable to afford. The Trussell Trust doubled the number of food parcels it gave out to people in crisis in 2011/12. It expects this number to increase almost fourfold by 2016.

* An East of Scotland CAB reports of a client who was sanctioned for two weeks for not showing sufficient evidence that he was looking for work, despite the fact that he has been attending training that will allow him to work in the construction industry. The Jobcentre was aware that he was attending the training. The client received no notice of the sanction and only found out when he discovered that there was no money in his account. The client has no money or food and is due to have his son stay with him at the weekend. The client has already borrowed money from a friend, but has run out of options. The bureau arranged for a food parcel to be sent to the client and have put in an appeal against the sanction.
* An East of Scotland CAB reports of a client receiving JSA who was told by the JCP that the information in his ‘looking for work diary’ was insufficient to merit the continuation of his benefit. He was therefore sanctioned and his benefit stopped. The client was not given much chance to speak in his defence; there were entries in his diary for the period in question but they may have been missed by the official. The client has been able to live with friends for a few days, but is now looking for free sources of food.

Ultimately if welfare changes drive people further into poverty, other problems such as health inequalities, homelessness, and family breakdown can occur because of financial pressures. Tackling those problems further downstream will only add to the overall public spending bill, not reduce it.

**Recommendations:**

**CAS strongly urges all MPs to speak and vote against the Welfare Benefits Up-rating Bill.**

**CAS recommends MPs call on the Secretary of State for Work and Pensions to publish an assessment of the cumulative impact this and other welfare reforms will have over the next five years on the poorest and most vulnerable groups in our society, both in and out of work.**

1. Uswitch [↑](#footnote-ref-1)
2. Oxfam [↑](#footnote-ref-2)
3. DWP Impact Assessment for the Bill <http://www.dwp.gov.uk/docs/welfare-benefits-up-rating-bill-ia.pdf> [↑](#footnote-ref-3)