

Welfare changes: Voices from the frontline

Personal experiences of the welfare changes introduced in April 2012



*based on the evidence of
Citizens Advice Bureau
clients across Scotland*

by Keith Dryburgh, Social Policy Officer
& Jeanette Campbell, Parliamentary Officer

Introduction

The Scottish CAB Service forms the country's largest independent advice network. Citizen advice bureaux are the key frontline service that hundreds of thousands of people turn to and they deal with over half a million new issues every year.

During 2010/11 bureaux dealt with 203,462 new benefit issues for clients – just over a third of all issues brought to bureaux. We expect welfare reform changes will put exceptional pressure on advice services across the country. Our experience is that changes to benefit entitlement are the number one driver of advice need at citizens advice bureaux. Problems with welfare will also lead to increased need for debt, housing, consumer, relationship and many other areas of advice.

As welfare changes begin to affect clients, this is the first in a series of briefings in our series Voices from the frontline. These provide personal experiences of welfare reforms as they take effect in households across Scotland. Through these briefings, citizens advice bureaux will show the impact of welfare changes on the frontline.

The changes that are, and will be, experienced as welfare changes hit home are not just those that have been introduced through the 2012 UK Welfare Reform Act. They also include policy and eligibility changes to welfare and benefits.

April 2012 changes

This briefing details case studies of CAB clients that are experiencing problems due to welfare changes that came into force just six weeks ago on 6 April 2012, including:

- Changes to Working and Child Tax Credits
- Contribution based Employment Support Allowance being time limited to 12 months

The first of these changes was announced by the DWP in November 2011 and the second was a change introduced through the Welfare Reform Act.

These are the types of welfare changes already impacting on the citizens of Scotland and they are turning to their trusted, well known and established local CAB for help, support and free independent advice.

Tax Credit changes

In April 2012 the eligibility rules for Working Tax Credit and Child Tax Credit changed, impacting on 85,000 Scottish families. Up to April, families were eligible for Child Tax Credits if their income was below £41,300. This changed to £32,000 for families with two children, or £26,000 for lone parents.

Families were also able to claim Working Tax Credit if they were responsible for at least one child and worked at least 16 hours a week but this was increased to 24 hours per week (with one parent having to work at least 16 hours). The additional award that can be received for childcare costs was also cut from 80% of the costs to 70%.

In addition, claimants over 50 have previously been eligible for an extra Working Tax Credit payment, called the '50-plus' element. This was scrapped as of April 2012.

These changes mean that 73,300 families in Scotland will have lost Child Tax Credits worth around £545 per year and a further 11,370 families will have lost Working Tax Credits worth up to £3,870 per year.

At the time of the changes, CAS stated that they were the wrong move at the worst time and expressed our concern that these changes could push many people into poverty and debt. For the 20% of Scottish children already living in poverty, we are concerned that the changes will make the situation even worse. In the current economic climate, people will not find it easy to increase their hours or get another job with increased hours. And even if they do this will also increase their childcare costs.

Again, these are changes that are impacting on the lives of the citizens of Scotland, and those people are looking for advice and support. CAB advisers are expecting many more clients to attend the bureau with similar problems.

These are some of the clients that have turned to their local CAB for that advice since these changes were introduced last month:

- ▶ **A client and her partner's combined earnings mean that they are now over the threshold for claiming Working Tax Credit and Child Tax Credit. The client works part-time and her husband full-time, with their combined earnings (before deductions) coming to £26,530. Due to the new changes, they are over the threshold for Working Tax Credit and Child Tax Credit by £7,000 and £530 respectively. The client wanted to know if she would be better off reducing her hours as they are struggling to cope as a family with these changes.**
- ▶ **A client and her partner have recently lost their entitlement to Working Tax Credit because their hours worked per week are now too low. The client is unemployed and his partner works 16 hours per week. The**

client's partner is unable to get more hours at her current job but is looking for alternative work. They are also in receipt of Child Benefit and Child Tax Credit but these are due to be reduced as their elder child is soon to turn 16. The client and his partner wanted advice about other benefits they may be entitled to and how this would change if his partner found a full time job or stopped working completely. They were advised that the client will not qualify for income-based JSA or Income Support as his partner's working hours exceed the limits for 'full-time work' for these benefits.

- ▶ A client is struggling to cope with the loss of her Working Tax Credit payments. The client works 16 hours per week, and 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 this is not possible she is considering leaving this job 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 client is worried about the changes to Working Tax Credit as she has a letter confirming that their payments will cease at the end of March. Her husband works 17 hours per week which is unlikely to increase. As a result, their income will be greatly reduced and she wanted to know whether there was a benefit she could claim to compensate.
- ▶ A client has been unable to raise her working hours from 16 hours per week to 24 to meet the new qualifying work hours for Working Tax Credit. The client will therefore lose entitlement from the start of April and is seeking advice.
- ▶ A client's Working Tax Credit stopped without the client receiving any correspondence. The client works 17.5 hours per week and has been in receipt of £68 per week Working Tax Credit (50+ element). Since her payment failed to arrive, she has tried ringing HMRC for three days without success. The client was advised that the 50+ element ceased from the 6th of April and the client should have received a letter stating this in January. The client is not entitled to any other benefits to make up the loss in income.

Employment and Support Allowance

Employment and Support Allowance (ESA) was introduced in October 2008 as the benefit for new claimants unable to work due to illness or disability. ESA replaced Incapacity Benefit (IB), Severe Disablement Allowance (SDA), and Income Support (IS) paid on the grounds of illness/disability. New claimants were assessed for the benefit through the Work Capability Assessment (WCA). Between April 2011 and April 2014, over 170,000 existing claimants in Scotland will undergo the WCA at a rate of nearly 1,000 per week as they are migrated onto ESA. Following the WCA, claimants are placed in one of three groups:

- **Fit for work group:** claimants are no longer entitled to claim ESA, but may ask for a reconsideration of the assessment or appeal if they disagree with the decision
- **Work related activity group:** claimants receive a higher rate of benefit than those on JSA and are mandated to engage in work related activities
- **Support group (for those with severe disabilities):** claimants receive a higher rate of benefit entitlement than the work related activity group and exemption from mandatory involvement with work related activities.

Researchers from Sheffield Hallam University estimated the impact of the migration on UK regions based upon DWP data and estimates. The researchers calculate that 115,000 Incapacity Benefit claimants in Scotland will lose their entitlement to sickness benefits – around 1 in every 29 people of working age in Scotland (3.4%). Over half these claimants will be pushed out of the benefits system altogether (65,000) with most of the remainder (36,000) making a JSA claim¹.

Citizens advice bureaux have already been significantly affected by the introduction of ESA and the start of the migration. Over the past two financial years Scottish bureaux have seen a 61% increase in the number of new ESA issues. In March 2012 alone, bureaux dealt with 122 new ESA issues every working day.

These issues are time consuming and stressful for both bureaux and clients. Based on a recent sample, in the case of ESA tribunals where a CAB provided representation, 69% found in favour of the claimant. This shows not only that benefit changes increase need for our service, but that we provide a positive service for the citizens of Scotland. More information on the ESA migration can be found in *From Pillar to Post: The impact of the IB/ESA migration on Scotland's people, communities, and services* (available from www.cas.org.uk).

In addition to this, the UK Government's Welfare Reform Act introduced a time limit of 12 months for those placed in the Work Related Activity Group (WRAG) claiming contributions-based ESA. The DWP estimates that 40% of claimants in the

WRAG group will lose entitlement to ESA after 12 months whether or not they find work and when they are still classed as unfit for work².

In some cases people can claim income-related ESA but as this is means tested, the amount is dependent on the income and capital of both the claimant and their partner. The claimant may be eligible for other means tested benefits if the claimant's income falls such as housing benefit or tax credits.

The ESA time limit change came into force in April 2012 and a number of clients have already sought advice from their local CAB on this issue, as illustrated in the following case evidence:

- ▶ **A client has received a letter from the DWP advising that her contributions-based ESA claim will soon end due to the 12 month time limit and that she has been assessed as ineligible for income-related ESA due to her income/capital. The client can't understand this as her only other income comes from Disability Living Allowance. She reports great difficulty in getting through to the DWP to ask them about her case and is attempting to call them more than 30 times per day. The client has chronic health conditions following spinal surgery and as a result rarely leaves the house. She has poor mobility and claims high rate DLA mobility and mid-rate DLA care.**
- ▶ **A client has been informed that his contributions-based ESA claim will end after 12 months. The client is not eligible for income-related ESA as his wife is in employment. The client suffers from Raynaud's Disease, Carpal Tunnel Syndrome and severe hypertension and is at increased risk of a stroke or heart attack.**
- ▶ **A client received a letter stating that his claim for contributory ESA will cease at the end of April. The client is very concerned that this will lead to a loss of £95/week in income. The client, who was a roofer, had an industrial accident in 2010 which resulted in the client having a leg amputated. The client is in chronic pain and has to removed his artificial leg several times a day to use a TENS machine for pain relief. The client sees no prospect of a return to employment.**
- ▶ **A client with health problems relating to a recent stroke has been informed that his ESA claim will end in April due to the 12 month time limit. The client has ongoing cognitive problems, difficulty swallowing, slurred speech, mobility difficulties and problems with balance.**

- ▶ A client needed advice as her husband's entitlement to contributions-based ESA will end in April. The client is worried that her husband is too ill to consider any work at present. The client contacted HMRC to check her entitlement to tax credits, but was advised that due to the proposed changes to the benefits system, they cannot advise if the clients will be entitled to tax credits in April. The client fears that their loss in income will impact on her husband's health and will impact on their ability to pay their mortgage and secured loan.
- ▶ A client has been informed that her contributions-based ESA claim will cease from April 30th as she has been claiming for 365 days. The client is unlikely to be eligible for income-related ESA as her husband works full time.

Summary

The changes to benefits that occurred in April 2012 alone (various changes to tax credits, ESA and also changes to income support) were hugely significant and will remove £2 billion in benefit payments for families across the UK. However, these are just one set of the proposed changes; the majority are still to come. Figures from the Treasury show that families are still waiting for 55% of the full welfare and tax credit cuts to hit them.

In the meantime, the Citizens Advice Service across Scotland is here to assist those who require advice and support as a result of the changes, and will provide evidence and briefings to ensure that the voices of those affected by the changes are heard by those who can help mitigate their impact.

References

- ¹ Beattie, C. and Fothergill, S. Incapacity Benefit Reform: The local, regional and national impact. Centre for Regional Economic and Social Research, Sheffield Hallam University. November 2011
- ² Department of Work and Pensions, Time limiting contributory Employment and Support Allowance to one year for those in the work-related activity group: Equality impact assessment, October 2011

Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.

The CAB Service aims:

to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively

and equally

to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB Service is independent and provides free, confidential and impartial advice to everybody regardless of age, disability, gender, race, religion and belief and sexual orientation.

info@cas.org.uk

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Citizens Advice Scotland (Scottish charity number SC016637)
Spectrum House, 2 Powderhall Road, Edinburgh EH7 4GB
Tel: 0131 550 1000

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