



## WELFARE REFORM BRIEFING:

### SUMMARY

1. Citizens Advice Bureaux in Scotland dealt with close to 189,000 new benefit issues in 2009/10 – 430 new benefit issues for every day of the year. CAS is concerned that the changes announced in the Welfare Reform Bill will be problematic for new and current benefit recipients and will increase the number of benefit issues brought to bureaux in Scotland. With a higher unemployment rate compared to the rest of the UK, Scotland continues to see an increase in the number of people requiring assistance from the Government. The new reforms risk isolating a number of people who are vulnerable and in the future would be unable to receive help when they need it most. CAS is also concerned that the different Scottish demographic and devolved legislation has not fully been taken into account in the Welfare Reform Bill.
2. Changes to sickness and disability benefits in the bill are likely to have a disproportionate impact in Scotland, as there are proportionally more people in Scotland who claim disability and sickness benefits than in England and Wales. Currently 10% of the Scottish population claim DLA/AA compared to 7% in England and Wales. Groups of people that are likely to lose out under the changes include:
  - **People who fall ill or have a serious accident, and have to take prolonged time off work** will be negatively affected by the plans to replace Disability Living Allowance with Personal Independence Payment and by changes to Employment and Support Allowance. They will get less help from the Universal Credit during the first six months of their illness than they would get at present.
  - **People with a disability trying to work** will be negatively affected by the plans to replace Disability Living Allowance with Personal Independence Payment, and will get less help from the Universal Credit than they would get at present, as the Universal Credit does not reflect help currently available to disabled people through Working Tax Credits.
  - **People with severe disabilities currently receiving severe disability premium** will lose out as the extra help currently available through the Severe Disability Premium will not be reflected in the Universal Credit. They will also be negatively affected by the plans to replace Disability Living Allowance with Personal Independence Payment. If they are in work they will get less help from the Universal Credit than they would get at present, as the Universal Credit does not reflect help currently available to disabled people through Working Tax Credits.
  - **People at home with a new baby, and working parents on low pay who are reliant on formal childcare**, due to the less generous support that will be available to those

on maternity leave under the Universal Credit, and the reduction in childcare support available through the Universal Credit.<sup>1</sup>

## **CITIZENS ADVICE SCOTLAND WOULD LIKE TO SEE:**

1. **Changes to the Bill** in order for it to help achieve the Government's stated aims of increasing simplicity and fairness in the benefit system and ensuring work is an effective route out of poverty.
2. **Account taken of the impact of the bill on devolved areas of administration in Scotland.**

## **UNIVERSAL CREDIT**

3. Many of the 189,000 new benefits issues brought to bureaux last year concerned issues such as Housing Benefit, Local Housing Allowance, sanctions, DWP administration error, JSA appeals and the Social Fund. These issues have led to some very vulnerable clients living in poverty.

### ***Changes in the Bill***

- The Government propose to introduce a single income-replacement benefit – Universal credit which will only be paid to one member of the household.
- The Government propose that Universal Credit will improve work incentives by allowing individuals to keep more of their income as they move into work.
- The Government propose that Universal Credit will reduce the number of benefits and agencies people must interact with.
- The Government propose that Universal Credit will reduce the fraud and error involved in the claiming process.

### ***Impact of the Bill***

- 1.7 million households will receive a lower entitlement.
- 200,000 households who currently receive Council Tax Benefit will not be eligible for Universal Credit.
- Expenditure on Universal Credit and associated benefits will rise by £2.6 billion.

---

<sup>1</sup> Welfare Reform Briefing: Citizens Advice England and Wales welfare reform bill 2<sup>nd</sup> reading (March 2011)

## ***Impact on Scotland***

- No taper rate has been set for Universal Credit. A taper rate will determine how the Scottish Government reacts to meeting poverty targets. By having no taper it means that the Scottish Government cannot plan how to meet these targets. Having no taper rate means that people will be unaware of what their real income is until it is set. The White Paper on Universal Credit suggests that this would be 65% which is too low for minimum income standards. Secondly, many people live in rural communities in Scotland. Research shows that people in rural areas need to spend over 10% more on everyday items compared to their urban counterparts. The demographics of Scotland show a significant rural population which will be placed at a further disadvantage due to a low taper rate and higher living costs.<sup>2</sup>
- People who get a qualifying social security benefit or tax credit are entitled to other types of passported support, some of which are already devolved – free school meals, school clothing grant, housing grant and the energy assistance package. Under Universal Credit some families may be disadvantaged as they are entitled to devolved passported benefits.
- Universal Credit does not mention childcare and the devolved aspects of childcare in Scotland. Currently there is no duty on local authorities to provide adequate and affordable childcare in Scotland. In England and Wales there is a duty. This could lead to sanctions for genuine claimants who refuse employment due to a lack of childcare provision. We call on the UK government to withdraw this feature of the Welfare Reform bill or for the Scottish Government to change legislation to ensure a duty is placed on local authorities in Scotland to provide adequate and affordable childcare.

### **What needs to change?**

- **Protect vulnerable claimants from hardship caused by inappropriate sanctions.** Any reforms to the conditionality, sanctions and penalties regime must support the policy aims, and must be based on the needs and circumstances of the individual receiving the benefit, taking realistic account of any specific barriers to work, as reflected in the claimant commitment. [Clauses 102-116]:
  - Do not sanction claimants for refusing work that will not make them better off, or that would prevent them from completing training courses.

---

<sup>2</sup> A minimum income standard for rural areas, Joseph Rowntree Foundation, November 2010

- Give due regard to the impact of sanctions on vulnerable people, including dependent children, and people with mental health problems. (Government is obliged by Article 3 of the UN Convention on the Rights of the Child to ensure the best interests of children are a primary consideration in all matters affecting children).
  - Reasonable employment should be defined in the claimant commitment, and should reflect regional employment prospects and unemployment rates.
  - Re-consider the language around ‘claimant commitments’, to reflect the expectation that the progress to work will be a collaborative process between the claimant and the DWP/JCP.
- **Stop conflating fraud and error.** Distinguish between deliberate fraud, claimant error and official error. Overpayments should only be recoverable where the claimant has failed to disclose, or misrepresented, a material fact. [Clause 102].
  - **Remove the introduction of civil penalties** [Clause 111]. The current system allows for appropriate recovery of benefits. If the £50 penalty *is* introduced for claimant error, a penalty should be introduced against the state for official error.
  - **We believe it is essential for the Government to commit to a thorough investigation of the impact of the current intention to pay UC in a single payment to one member of a household.** There are critical issues relating to the way the benefit will be paid, specifically: control of money intended for particular purposes such as support for children, and housing costs. Other issues include female financial inclusion, successful household budgeting, balance of power in the household - and ultimately the impact on child poverty. [Clause 97].
  - **Allow different payment options,** to protect claimants from the likelihood of personal debt, including direct payments to landlords and weekly payments (This was considered in the White Paper but does not appear to be covered in the Bill).
  - **Remove provisions where** there is still open consultation on the matter:
    - The abolition of Crisis Loans and Community Care Grants, and SF Commissioner, while the DWP consults on localising such discretionary payments [Clause 69]
    - Changes to child maintenance arrangements [Clauses 128-131]
    - Eligibility for couples where one is above pension age and the other is below [Schedule 2 Para 64]
    - Where there is no alternative provision offered for scrutiny

- The abolition of Council Tax Benefit, before it is clear how it will be covered in the new system [Clause 34(1)(e)].
- **Set Taper Rate at 65%** [Clause 8]. The bill doesn't set a taper rate for the universal credit, but the white paper, *Universal Credit: welfare that works*, suggests the government intends the taper rate to be set at 65%. We are concerned that this is too low will leave some families worse off than they are under the current system.
- **Drop the overall benefit cap** [Clause 93]. It ignores variations in rent levels, and household size, and is likely to increase both homelessness and child poverty.
- **Drop the proposal to up-rate Local Housing Allowance (LHA) by CPI** [Clause 68]. Maintain current practice of LHA tracking local rents. Help with housing costs should always reflect the actual costs of appropriate local housing because everyone has a right to a secure home.
- **Housing costs for private tenants must continue to be assessed based on movements in local rental markets.** Housing costs for social tenants should be based on the actual rent charged. There should be provision for the rental element of UC to be paid direct to the landlord where the claimant has difficulty in managing their financial affairs. (Clauses 11 and 68).
- **Severe Disability Premium (SDP) should be retained in UC**, supporting the same group of people as in the current system.(ref. Clause 12)
- **Council Tax Benefit (CTB) must be incorporated within the UC and any local administration must be done to national rules.** (Clause 34)
- **Benefits paid during maternity/paternity leave and also through the first six months of illness should be treated as earnings and thus eligible for the earnings disregards and tapers when calculating entitlement to the UC.** (Clause 8) <sup>3</sup>

## PERSONAL INDEPENDENCE PAYMENT

4. Citizens advice bureaux in Scotland dealt with over 36,000 new enquiries last year (2009/10) which concerned Disability Living Allowance (DLA) and Attendance Allowance (AA) in Scotland – just under a quarter of benefit issues and nearly 1 in 13 of all issues brought to bureaux. Currently there are over 500,000 DLA/AA claimants in Scotland, which is 10% of the Scottish population compared to 7% of the UK population.
5. CAB DLA clients are five times more likely as the general population to be in some form of financial difficulty. DLA is a tax free benefit for disabled children and adults to cover

---

<sup>3</sup> Welfare Reform Briefing: Citizens Advice England and Wales welfare reform bill 2<sup>nd</sup> reading (March 2011)

extra costs that are incurred as a result of having a disability. Unfortunately many of our clients' independence suffers because DLA does not cover these extra costs<sup>4</sup>. We are concerned that the DLA reform process is being led by a decision to cut the costs of working age disability benefits by 20 per cent which could lead to increased poverty for people with disabilities if their current entitlement is reduced.<sup>5</sup>

### ***Changes in the bill***

- The government intends to replace DLA with Personal Independence Payment (PIP).
- Eligibility for the new benefit PIP will be based on a qualifying period of 6 months and will receive no monies until after that qualifying time.
- The government proposes to introduce a new assessment designed to assess more accurately, objectively and transparently DLA claimants. All current DLA claimants will be reassessed for PIP.

### ***Impact***

- The impact of the reforms will result in savings equivalent to 20% of forecast working age DLA expenditure. This would result in estimated savings to the exchequer of **£2,170m.**<sup>6</sup>
- DLA is intended to provide a cash contribution to the extra costs associated with disability, the removal of this income could have a devastating effect on vulnerable people's health, whether they are in work or unable to work.
- Currently, the DWP are unaware of the impact on households, individuals and families who will lose out.<sup>7</sup>

### ***Scottish Impact***

- Increased pressure on local social care support which is devolved as people fail the new PIP assessment.
- Lengthening of the qualifying period for PIP will mean a greater pressure on the NHS and local authorities to support vulnerable individuals.

### ***What needs to change?***

- **Preserve the Personal Independence Payment (PIP) (Part 4) as an 'extra costs' benefit**

---

<sup>4</sup> Paying the price: The real costs of illness and disability for Scottish CAB clients (July 2006)

<sup>5</sup> DWP Impact assessment: Disability Living Allowance Reform (2011)

<sup>6</sup> DWP Impact assessment: Disability Living Allowance Reform (2011)

<sup>7</sup> DWP Impact assessment: Disability Living Allowance Reform (2011)

**Eligibility should not be decided by face to face assessments alone, and priority should be given to accuracy of assessment rather than independence of assessor. Other professionals should be consulted for evidence such as GP's, social workers and carers.** Lessons must be learned from the ESA Work Capability Assessment (WCA) [Clause 78(3) & (4)].

**Make the qualifying period 3 months (equal to the current qualifying period for Disability Living Allowance), not 6 months** [Clause 79], and provide immediate provision for people with extreme and sudden extra costs incurred as a result of their disability.

**Ensure that people in residential care and schools receive direct financial support to meet their mobility costs.** [Clause 83]

**Assess the impact of reducing eligibility in terms of people who would have been entitled to passported benefits,** and offer alternative routes to passported benefits [Clause 76].

- **Provide clarity on whether PIP will apply to under 16s** and how different provisions will be made for under 16s [Clause 91] and over 65s [Clause 81].<sup>8</sup>

## **EMPLOYMENT SUPPORT ALLOWANCE**

6. 207,000 people in Scotland claim Incapacity Benefit. The majority of these claimants will be reassessed in the next three years, involving over a thousand re-assessments each week in Scotland.
7. ESA has arguably been the most concerning issue for bureau advisers in the last two years. Advisers regularly report of clients with significant health problems who they feel are inappropriately found fit for work.<sup>9</sup>

### ***Changes in the Bill***

- The Government proposes to place a time limit of 12 months for claiming contributory ESA for those placed in the Work Related Activity Group. If they have not found employment at this point, they will be moved to income based ESA or moved off the benefit altogether.

---

<sup>8</sup> Welfare Reform Briefing: Citizens Advice England and Wales welfare reform bill 2<sup>nd</sup> reading (March 2011)

<sup>9</sup> Unfit for Purpose: Evidence on Employment and Support Allowance (ESA) from Scottish Citizens Advice Bureaux (2010)

- The ESA 'youth' provisions will be abolished so that certain categories of person will no longer be able to qualify for contributory ESA. 70% will receive £25 less a week; 10% will no longer qualify at all.

### **Impact**

- Around 700,000 people in the UK will be affected by the 12 month time limit by 2015-16. Around 280,000 claimants will lose ESA payments. The average loss will be £51.85/week (£2,700/year) for those affected.
- The abolition of the ESA 'youth' provisions will affect 15,000 people in the UK who would have been claiming contributory ESA. 70% will receive £25 less a week; 10% will no longer qualify.

### **What needs to change?**

- **Drop the proposal to limit receipt of contribution-based ESA to 12 months, for people in the work related activity group** [Clause 51]. This destroys the principle that people who have paid NI contributions will be supported if they become too ill to work, and will leave some people facing an unmanageable drop in income at a time when they most need support.
- **Drop the proposal to remove ESA from disabled people who are too young to have paid NI contributions** [Clause 52]. The proposal undermines the intention to support people with disabilities to live independent lives. Young people in this situation would only be eligible for income-based ESA, which would then be lost if the person became part of a couple, leaving them with no independent income at all.<sup>10</sup>

### **CONCLUSION**

8. CAS supports the Government's overall aims to increase simplicity and fairness in the benefit system and ensuring work is an effective route out of poverty. However, we have concerns that the bill does not deliver on vital areas to achieve these aims and does not take into account the devolved administration in Scotland. CAS believes that parts of the bill will cause further hardship and misery for very vulnerable individuals and families in Scotland, and that the changes above need to be reflected in the final bill to minimise that effect.

---

<sup>10</sup> Welfare Reform Briefing: Citizens Advice England and Wales welfare reform bill 2<sup>nd</sup> reading (March 2011)



For more information or evidence please contact Matt Lancashire at [matthew.lancashire@cas.org.uk](mailto:matthew.lancashire@cas.org.uk) or on 0131 5501062.

**Matt Lancashire - Policy Officer - Citizens Advice Scotland**