WALES ON THE EDGE

An overview of the current and predicted impact of welfare reforms on people and communities across Wales

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Report Author: The Bevan Foundation
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This report was written by Michael Donnelly with additional material provided by Victoria Winckler and Stephen Doughty. We also gratefully acknowledge the contributions made by Cuts Watch Cymru partners. The conclusions, and responsibility for any errors or omissions, are however those of the author.

The Bevan Foundation
Innovation Centre
Victoria Business Park
Festival Drive
Ebbw Vale
NP23 8XA
Tel. 01495 356702
Email info@bevanfoundation.org
www.bevanfoundation.org

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Executive Summary

- People in Wales face the toughest challenge to their well-being for decades from a combination of economic crisis, job losses, a squeeze on earnings and rising prices. They face, in addition, cuts to public services and a radical reform of social security benefits.

- This report focuses on and reviews the evidence on the changes to key social security benefits and the likely impact on people and communities, the majority of which are yet to be felt.

- It finds that hundreds of thousands of people in Wales will be affected by the change to benefits, whether the one in five people of working age receiving a Department for Work and Pensions benefit or the quarter of a million people receiving Housing Benefit.

- The sheer numbers affected represent a transfer of liability and potential stress on Welsh Government, local authorities and other public services and the Welsh economy, which has not been seen for generations, at the same time as the overall budgetary settlement is lower.

- Job Seekers Allowance claimants will face tough sanctions if they do not comply with requirements to look for work, which may be difficult to do in a weak labour market.

- Lone parents receiving Income Support are moved to Job Seekers Allowance when their youngest child is five and must comply with job seeking requirements – which may be difficult in a weak labour market and with limited childcare.

- The fitness for work of Employment and Support Allowance and Incapacity Benefit claimants is being tested, raising concerns about the accuracy of assessments and prospects of people with impairments finding employment if they are deemed fit for work.

- The ability of people moved onto JobSeeker’s Allowance after many years out of the labour market to find employment is very doubtful, with unemployment levels already high.

- The replacement of Disability Living Allowance with Personal Independence Payment will mean some disabled people experience a substantial drop in income.

- Changes to Housing Benefit will mean almost all tenants are worse off, with working age people living in homes with spare bedrooms or those under-35 who live alone facing the prospect of a forced move.

- A number of benefits will be replaced by Universal Credit during 2013, with the impact on household incomes as yet unclear.

- As yet unspecified changes to Crisis Loans may affect people when they are extremely vulnerable.

- The effect of these changes on individuals, families and communities could be very serious. The drop in income not only affects individuals’ and families’ ability to buy
essential goods and services, it also removes expenditure from the local economy which could precipitate job losses and closure of services.

- The impact is multiplied because people typically receive more than one benefit, so they may suffer several reductions in benefit with a potentially dramatic effect on total household income and budgeting.

- Across the myriad of different benefits, our preliminary analysis highlights that there is one common theme – and that is that reform means cuts in income for the vast majority of benefit recipients. Indeed, at least until there is more detail available on Universal Credit, there appear to be few circumstances in which a claimant will be better off in the new regime.

- In addition to loss of income, there are likely to be longer term impacts in terms of ingrained disadvantage, educational attainment, health and well being; all of which create higher long term costs to local and central Governments.

- By definition, those affected by the reforms are already on low incomes. However the evidence that is available suggests that particular groups – particularly women, disabled people and children will be especially affected, albeit in different ways.

- The Welsh Government, local authorities and other public bodies need to actively develop analysis and actions to mitigate the worse effects of the reforms. We recommend some key steps to do this:

  - In addition to the Welsh Government taking the step of identifying one key Cabinet Minister to take the lead on the response to reforms, they should also engage with stakeholders in collecting evidence. Local authorities should do the same and identify a Cabinet member or key Committee Chair.

  - In engaging with stakeholders, several stakeholder advisory groups should be established – consisting of people with experience in each of the welfare areas.

  - Welsh Government should incorporate the likely impacts and possible policy responses into its new Tackling Poverty Action Plan, and new responsibilities, for example the Social Fund.

  - Welsh Government and local authorities should undertake an urgent exercise to establish the fiscal burden and liability transfer to them as a result of UK Government changes.

  - A National Assembly committee should be established – or an existing committee should be asked – to conduct an inquiry into the changes, and take evidence from key stakeholders.

  - Strong representations should be made to Ministers in the UK Government about the likely impacts of reforms on people in Wales.

  - In the UK Parliament, the Welsh Affairs Committee should be monitoring the impact of the welfare reforms on people in Wales.
Introduction

People in Wales face the toughest challenge to their well-being for decades. Hundreds of thousands of people are already feeling the consequences of a weak economy, resulting in job losses, a squeeze on earnings and rising prices. Add to this the prospect of public spending cuts and the most dramatic changes to the social safety net in a generation, and the outlook for many could be extremely challenging. Indeed the majority of the planned changes to welfare are yet to be felt by people in Wales.

As a result, tens of thousands of people in Wales are unwittingly standing on the edge of a cliff. Whether or not they currently consider themselves to be amongst the poorest or most vulnerable and regardless of whether they are currently employed, on benefits or some combination of both, the next few years could bring very significant challenges indeed.

1. A challenging economic context for Wales

- Nearly 1 in 10 (9%) of the current working age population of Wales are out of work, compared with 8.4% in the same quarter for the previous year.¹
- The proportion of those in a low-paid job in Wales is higher than in the UK as a whole, with more than 1 in 10 in-work households living in poverty.
- 1 in 5 of the Welsh population are claiming some form of benefit² – including many who are in fact in some form of employment. A higher proportion of the Welsh population claim benefits than in other parts of the UK.
- Disabled people in Wales are almost twice as likely as non-disabled people to live in a low income household.³
- Whilst urban areas remain some of the most deprived in Wales – rural poverty remains a significant problem – a survey of 4,000 households in rural Wales found that one quarter of households were surviving on incomes of less than £10,000 a year.⁴

Cuts Watch Cymru is a coalition of charities and voluntary organisations in Wales working on the front-line who have come together to monitor the impact of cuts in public spending, and in particular reforms to the welfare system, on people in Wales and to call on public and third sector bodies to take action. We are motivated by a shared concern that thousands more people across Wales will be plunged into poverty as a result of changes to come, with the most vulnerable groups bearing the brunt of change.

We do not argue unthinkingly against all of the changes in public spending, to the structure of the welfare system, or indeed the relative role that the state should play in relation to the voluntary or private sectors. We accept that there are significant economic challenges facing decision-makers at all levels of government, and that it is
always prudent to review spending and service provision decisions. However, any changes must be fair to all in society and ensure that the most vulnerable are not disproportionately affected.

This first report by Cuts Watch Cymru considers the impact of welfare reform. Changes to the social security system have been high on successive UK Government policy agendas for some time. The current UK Government initially aimed to make £11bn of annual welfare savings in their June 2010 emergency budget, before later adding plans for a further £7bn of savings. These changes are in addition to many initiated by the previous government, albeit many are only coming into effect now. However, the current agenda goes much further. The Welfare Reform Bill currently progressing through the UK Parliament is the biggest overhaul of the welfare state in a generation, with the introduction of a Universal Credit intended to replace a number of benefits for those of working age as its centrepiece.

### 2. The scale of the impacts in Wales

- A quarter of a million people across Wales will be affected by changes to their housing benefit (chapter 3).
- Changes to Employment and Support Allowance, and Incapacity Benefit, will affect 180,000 claimants (chapter 2), and 100,000 people will be affected by changes to Income Support (chapter 1).
- The removal of welfare spending projected in Wales, could result in at least 20,000 indirect job losses.
- The areas which will see the biggest drop in ESA claimants due to proposed changes are those that are least able to offer suitable job opportunities to former claimants due to rising unemployment and weak job markets.
- 1.2m older people will be affected by Winter Fuel Payment reductions, (chapter 4).

The sheer numbers affected represent a transfer of liability and potential stress on Welsh Government, local authorities and other public services and the Welsh economy which has not been seen for generations, at the same time as the overall budgetary settlement is lower.

**This report**

This report outlines the likely impact of the proposed changes to social security benefits on the people of Wales using existing evidence. Benefits are an exceptionally complex area of social policy, in which there are not only numerous benefits with different eligibility criteria and delivery, but the process of reform is hugely complex as well, involving a mix of changes inherited from the previous UK government as well as
those requiring new primary or secondary legislation. There are also a number of different timetables for changes, and existing and new claimants are often being treated differently. The reform agenda is also changing rapidly as the Welfare Reform Bill progresses through the UK Parliament.

It is impossible in a project (and a report) of this size to consider the changes to every single benefit. We have therefore focused on four key areas:

- Benefits for people who are out of work.
- Benefits for disabled people.
- Benefits to help with housing costs.
- Social Fund benefits.

In each of these areas we begin by briefly summarising the context in which changes are taking place. We then identify the main benefits and summarise how they will change (and in some cases have already changed). We then profile current claimants in order to understand who is likely to be affected and last but not least consider the existing evidence on the possible impact of the changes on people. Given the scale of change and numbers of people likely to be affected, there is astonishingly little firm evidence and so we conclude each section by highlighting key questions that need to be answered through further research.

3. Alarm bells – the impacts already being felt across Wales

- In the last four years, there has been a 40% rise in the number of people turning to loan sharks in Wales.10
- Demand for crisis loans has been rising sharply – with a 38% increase since 2007.
- Housing cost pressures are increasing – with Cardiff, Conwy and the Vale of Glamorgan seeing the highest rates of increase in Housing Benefit claims since 2010. Shelter Cymru have been dealing with a large increase in enquiries.
- This winter, the 100,000 pensioners living in poverty within Wales9 are facing additional struggles to heat their homes, or at worst choosing between heating and eating, due to reductions in the Winter Fuel Payment.
- There were 1,900 excess winter deaths amongst older people in Wales during winter 2010/11. 80% of excess winter deaths involve people aged 65 or over, with the highest rate amongst those over 85 (800 deaths).12
- An Oxfam survey found that food expenditure has risen for more than 80% of low income households, leading many to opt for lower quality food or worse still to skip meals altogether.13
- The number of people homeless in Wales is rising at a shocking rate – up at least 13% in the first quarter of 2011 compared with 2010.14
Despite the paucity of evidence, we can nevertheless conclude that welfare reform is likely to have a serious effect on people in Wales. Its impact is accentuated because of existing high levels of poverty, a weak economy and the complex interaction between benefits so that many individuals and households will be affected by not one but multiple changes to their income. Notwithstanding the fact that this is an introductory report, it concludes by urging the Welsh Government, local authorities and other public bodies to take urgent action.

1 National Assembly for Wales (2012) ‘Unemployment Briefing, February 2012’
4 Wales Rural Observatory (2005) ‘Poverty and Social Exclusion in Rural Wales’
5 HM Treasury, Spending Review, 2010
6 Examples of previous reforms the Labour Government initiated include changes to Income Support for lone parents and also Mandatory Work Activity (“Workfare”).
7 DWP, Welfare Reform Bill, 2011
9 It has not considered benefits such as Child Benefit, Working Tax Credits or Council Tax benefit, or the less common benefits such as Carer’s Allowance.
10 BBC News (2011), ‘Number using loan sharks in Wales up 40% in four years’, available from: http://www.bbc.co.uk/news/uk-wales-14408885
13 Wales Online, Parents skipping meals to ensure their children can eat, says Oxfam, Oct. 2011
The first set of benefits to be considered in this report are those paid to people of working age who are out of work for a variety of reasons. Reforms to these benefits have, so far, been less hotly contested than others, but potentially have just as great an impact on a large number of people than some of the more high profile changes.

1.1 Context of Changes

Changes to Income Support (IS) and Jobseeker’s Allowance (JSA) are taking place whilst Wales is experiencing the most significant economic crisis in decades, with unemployment at the highest levels seen for many years. For the period July-September 2011, the number of the working age population who are out of work rose by almost 10% on the previous quarter to 134,000. Figures show that 9% of the working age population of Wales is out of work, compared with 8.4% in the same quarter for the previous year. Indeed unemployment in Wales has remained consistently high since the increases experienced in 2008 as a result of the recession.

In addition:

- Vacancies registered by the Job Centre have been falling.
- Those living in rural or valley areas face greater difficulties in their commute to work than those living in urban areas due to inadequate public transport.
- People living in all areas are likely to be affected by the rising cost of public transport.
- There is a shortage of affordable childcare for the poorest families. A recent survey found that parents in Britain spend almost a third of their income on childcare, with half of the poorest families having to cut back on food in order to pay for it. It was also found that some of the poorest families may be no better off working when childcare costs are considered.

There are two main means of support for the increasing number of people in Wales who find themselves out of work – Jobseeker’s Allowance and Income Support.

1.2 Jobseeker’s Allowance

Jobseeker’s Allowance (JSA) is a benefit for people who are unemployed or work a limited number of hours, and are required to be available for work. There are two types of JSA:

- **Contribution-based JSA** which depends on an individual’s National Insurance contribution record but is not affected by other income or capital, and
- **Income-based JSA** which is means-tested and dependent on income and capital.

For both JSA types, recipients aged under 25 receive a lower rate of payment. It is a condition of entitlement of JSA that a claimant must be willing and able to take up employment immediately. Recipients must be able to prove that they are actively seeking work.
1.2.1 Changes to JSA

There are a number of significant changes, some of which have been implemented recently via existing legislation whilst the most radical change of all, the introduction of Universal Credit, is dependent on the passage of the Welfare Reform Bill. The changes are as follows:

From January 2011:

- JSA claimants aged 18-21 who are first time Jobseekers or are furthest away from the labour market can be required to undertake Work Experience with an employer for two to eight weeks. This requirement applies to those living in Anglesey, Blaenau Gwent, Bridgend, Caerphilly, Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Merthyr Tydfil, Neath Port Talbot, Pembrokeshire, Rhondda Cynon Taff, Swansea or Torfaen. Participants remain on JSA and subject to its demands.

From April 2011:

- Conditionality on JSA claimants increases with claimants expected to take three active steps to find work each week.

From Summer 2011:

- Introduction of the Work Programme which uses partners from the public, private and voluntary sectors to get people back into work. Different groups start on the programme according to their need and length of time on JSA (see Appendix 3).

From October 2011:

- Claimants are required to look for work up to a 90-minute commute of their home from day 1 of their claim.

From April 2013:

- Income-based Jobseeker’s Allowance will be merged with other benefits into Universal Credit, a single benefit that combines in-work and out-of-work benefits with Housing Benefit. Contribution-based Jobseeker’s Allowance will remain separate from Universal Credit. This is a major shift, the detail of many aspects of which are as yet unknown.

- Claimants will be required to agree a “commitment” (to be specified by the Secretary of State) – failure to comply with the commitment will result in sanctions i.e. the withdrawal of benefit for up to three years. Hardship payments made to sanctioned claimants will be reduced.

1.2.2 Profile of Claimants

Latest figures show that over 75,000 people claim JSA in Wales, which is 4% of the working age population (as of December 2011). The majority of claimants are male, and recipients tend to be relatively young – almost 60% of the claimants are under 34 years of age, with 32% being aged under 25. Nine out of ten JSA claimants are white.
The claimant count went up by 46% in one year in 2008, and has remained consistently around this level ever since. Males made up a slightly higher proportion of the 2008 claimant increase (47%) than females (42%). It is also clear that this increase was also felt unevenly across different age groups. In 2008 older people experienced slightly higher proportional increases out of all the age categories. However the younger age groups remain the largest group of JSA claimants.

It is also clear that JSA claimants are distributed unevenly across Wales. Some local authorities have almost four times as many of their population claiming JSA than other local authorities (table 2). Those areas with the highest rate of claimants include Blaenau Gwent (6.6%), Merthyr Tydfil (5.6%) and Newport (5.1%), whilst those with some of the lowest rates include Ceredigion (1.6%), Powys (2.1%) and Monmouthshire (2.3%).

The large rise in JSA claimants in 2008 was also experienced unevenly across local authorities.

### Table 1: Age profile of JSA claimants in Wales (October, 2011)

<table>
<thead>
<tr>
<th>Age group</th>
<th>Number of claimants</th>
<th>As a % of total claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>24,320</td>
<td>32</td>
</tr>
<tr>
<td>25-34</td>
<td>17,920</td>
<td>25</td>
</tr>
<tr>
<td>35-44</td>
<td>13,820</td>
<td>20</td>
</tr>
<tr>
<td>45-54</td>
<td>11,500</td>
<td>16</td>
</tr>
<tr>
<td>55-59</td>
<td>3,870</td>
<td>6</td>
</tr>
<tr>
<td>60-64</td>
<td>790</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: NOMIS, 2011
Table 2: Distribution of JSA claimants across Welsh local authorities (May, 2011)

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Number of claimants (May 2011)</th>
<th>Claimant rate (May 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blaenau Gwent</td>
<td>2,850</td>
<td>6.6</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>1,970</td>
<td>5.6</td>
</tr>
<tr>
<td>Newport</td>
<td>4,510</td>
<td>5.1</td>
</tr>
<tr>
<td>Caerphilly</td>
<td>4,970</td>
<td>4.5</td>
</tr>
<tr>
<td>Torfaen</td>
<td>2,490</td>
<td>4.4</td>
</tr>
<tr>
<td>Rhondda Cynon Taff</td>
<td>6,240</td>
<td>4.2</td>
</tr>
<tr>
<td>Anglesey</td>
<td>1,680</td>
<td>4.1</td>
</tr>
<tr>
<td>Cardiff</td>
<td>9,260</td>
<td>3.9</td>
</tr>
<tr>
<td>Bridgend</td>
<td>3,030</td>
<td>3.6</td>
</tr>
<tr>
<td>Neath Port Talbot</td>
<td>3,120</td>
<td>3.6</td>
</tr>
<tr>
<td>Conwy</td>
<td>2,240</td>
<td>3.5</td>
</tr>
<tr>
<td>The Vale of Glamorgan</td>
<td>2,760</td>
<td>3.5</td>
</tr>
<tr>
<td>Swansea</td>
<td>4,930</td>
<td>3.3</td>
</tr>
<tr>
<td>Wrexham</td>
<td>2,780</td>
<td>3.3</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>1,880</td>
<td>3.2</td>
</tr>
<tr>
<td>Flintshire</td>
<td>2,820</td>
<td>3.0</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>3,200</td>
<td>2.9</td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td>2,020</td>
<td>2.9</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>1,860</td>
<td>2.5</td>
</tr>
<tr>
<td>Monmouthshire</td>
<td>1,250</td>
<td>2.3</td>
</tr>
<tr>
<td>Powys</td>
<td>1,680</td>
<td>2.1</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>790</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: NOMIS, 2011

The latest figures also show that most claimants have been receiving the benefit for a relatively short period of time. Table 3 shows that as of December 2011 the majority of JSA recipients have been claiming for up to six months (61%). However a further significant proportion of claimants have been claiming for nearly a year (21%).
1.2.3 Likely Impact

The impact of changes to JSA are far from clear. On the one hand:

- Proponents argue that the combination of greater conditionality and enhanced support via the Work Programme will result in more people entering and sustaining employment than at present. DWP forecasts that overall 36% of claimants will find work through the Work Programme.
- Universal Credit is argued to offer greater incentives to work and to encourage work for relatively short hours.

On the other hand, critics have suggested that:

- Estimates of success via the Work Programme are too high – in previous schemes around 25% of people found work.20
- Claimants may lose benefit if they do not comply with requirements – often because of misunderstandings about what is expected of them rather than willful non-compliance. Between 2000 and July 2011 there were a total of 217,000 sanctions against individuals, two-thirds of those who were sanctioned were male.
- Claimants may be incorrectly sanctioned and claimants and their families will face severe hardship if sanctions are upheld.21
- Claimants who are sanctioned are more likely to be disadvantaged (younger, few qualifications, with health problems and with practical barriers to unemployment).
- Securing employment will be difficult in the current economic climate.
- Universal Credit could see some claimants losing income although the impacts are not yet clear.

1.3 Income Support

Income Support (IS) is a means-tested benefit paid to people of working age who have a low income, but who are not available for work, e.g. because they are lone parents or...
1.3.1 The Changes

From October 2011 new claimants of IS who are lone parents and whose youngest child is over 5 years old are no longer able to make a claim. This follows similar changes in previous years for IS claimants whose youngest child is 7 years old or 11 years old.

From April 2012 pre-existing claimants of Income Support who are lone parents, and whose youngest child is aged over five years will be transferred to other benefits, most likely to be JSA.

1.3.2 Profile of Claimants

The latest figures show that there are almost 100,000 people claiming Income Support in Wales as of May 2011. More than half (57%) of Wales’s IS claimants received IS because of incapacity, with a further 7% claiming because they are carers. Just under one third (31%) claimed because they are lone parents. The result is a very different claimant profile to JSA, with almost two thirds of claimants being women, more than eight of ten not having a partner and almost half having 1 or more children.

Of 30,000 lone parents claiming IS in Wales, just over 8% were from a non-white ethnic group, with nearly two-thirds of non-white lone parents being in Cardiff.

Information on the ethnicity of other groups of IS claimants is not available.

The age range of claimants is much wider than is the case for those in receipt of JSA. Unlike JSA the largest group of claimants are aged 25-44 (47%). The majority of people in receipt of Income Support have been claiming the benefit for some time (table 4). Indeed over three-quarters of claimants have been claiming for more than two years, and half have been receiving the benefit for more than 5 years.

| Table 4: Duration of Income Support claims in Wales (May, 2011) |
|-----------------------------|------------------|------------------|
| **Duration**                | **Total**        | **Proportion of claimants (%)** |
| up to 3 months              | 3,940            | 4                |
| 3 months up to 6 months     | 3,500            | 3                |
| 6 months up to 1 year       | 6,470            | 7                |
| 1 year and up to 2 years    | 9,420            | 9                |
| 2 years and up to 5 years   | 24,330           | 25               |
| 5 years and over            | 51,130           | 52               |

Source: NOMIS, 2011
1.3.3 Likely Impact

As with JSA, it is difficult to estimate the likely impact on IS claimants of the introduction of Universal Credit.

For lone parent claimants, there is some evidence that:

- Lone parents face particular difficulties in successfully gaining employment due to being out of the labour market for a prolonged period of time. In the UK figures show that since the 2008 changes to Income Support only 3.5% of those with a youngest child aged 12 to 15 gained employment after switching from IS to JSA.24
- Part-time and flexible work that fits in with school-age children is hard to find. A recent survey of single parents found that 97% had seen no or very few jobs advertised in school hours that they could apply for, and that 95% had seen no or very few job-share opportunities.25
- If lone parents do manage to find work, they may still live on a low income – 21% of children whose single parent works full-time still fall below the poverty line, whilst 29% with parents who work part-time do so.26

1.4 Conclusions and research questions

The changes in out-of-work benefits are, as with other reforms, highly complex. However it is clear that claimants will face very substantial pressure from within the benefit system to find and take employment, with sanctions for non-compliance being stepped up.

It is not clear how the pressures on claimants, particularly those who have been out of the labour market for some time, will succeed at a time when unemployment is at its highest level for many years and with few signs of expansion in the economy.

Questions for investigation include:

- How are JSA claimants coping with the increased conditionality expected of them?
- Is the level of sanctions for non-compliance increasing?
- Is job-seeking behaviour changing?
- What are the consequences of sanctions for claimants and their dependents?
- What is the experience of lone parents transferring to JSA in identifying suitable work opportunities?
- What is people’s experience of the Work Programme?
- To what extent are these impacts being mitigated?
15 National Assembly for Wales (2012) ‘Unemployment Briefing, February 2012’
16 Office for National Statistics, Job Centre Vacancies, 2011
17 Joseph Rowntree Foundation (2010), ‘Country life: tougher to make ends meet’
18 Save the Children and Daycare Trust (2011), ‘Making work pay - the childcare trap’
19 NOMIS, 2011
22 NOMIS, 2011
25 Gingerbread (2010), ‘Changes to single parent welfare entitlements: Income Support to Jobseekers Allowance switch’
26 Gingerbread (2010), ‘There’s Only one of me’ Single parents, welfare reform and the real world’
2 Disability benefits

Changes to benefits paid to disabled people, either because they cannot work or to help with living costs, have received a great deal of media and political attention. As with the other benefits being reformed, the changes are complex and are being introduced at different times. Although the impact of changes is not necessarily immediately apparent, it is clear that disabled people are being affected by the welfare reform programme at least as much as other groups of people.

2.1 Context of Change

The changes to disability benefits are taking place in the context of:

- Disabled people in Wales being almost twice as likely as non-disabled people to live in a low-income household.  
- Reductions in local authority social care support for disabled people.  
- Limited employment opportunities due to the inflexibility of work arrangements to suit impairment-related needs.  
- The negative attitudes of some employers towards disabled people.  
- The high cost of living with an impairment.  
- Harassment and discrimination faced by disabled people.  
- Lack of access to the built environment – includes buildings of any kind. This is important for accessing services like public transport, shops, leisure facilities, medical and other essential services.

2.2 Employment and Support Allowance

Employment and Support Allowance (ESA) replaced Incapacity Benefit in 2008, and provides financial support to those who are unable to work as a result of illness or impairment. After being assessed by the Work Capability Assessment, claimants are then placed into one of two groups: 1) the work-related activity group, and 2) the support group. Those in the work-related group are expected to take part in work-focused interviews to help them prepare for work. People in the support group are not expected to work due to the severity of their illness or impairment.

2.2.1 Changes to ESA

Disability benefits have already changed in a number of ways under existing legislation, with more changes proposed in the Welfare Reform Bill. The main changes are as follows:

From February 2011:

- Reassessment of existing Incapacity Benefit and Income Support claimants for migration to Employment and Support Allowance (expected to be completed by 2014).
Those being found ‘fit for work’ will move on to JSA if they are entitled to do so. From **March 2011**, all claimants are affected by:

- Changes to the Work Capability Assessment. The new test is said to make it harder to score points, and so harder to be found to have limited capability for work. For instance, ‘walking’ has been changed to ‘mobilising’ within the assessment.

From **April 2012**:

- People in the work-related activity group of contributory Employment and Support Allowance will have their claims limited to one year. They will then have their family income and savings assessed to see if they qualify for the means-tested version of the benefit.

From **April 2013**, the work-focused element of ESA will be merged with other benefits into Universal Credit, subject to legislation.

### 2.2.2 Profile of ESA and IB claimants

Wales has the highest proportion of people claiming either ESA or IB in the UK, with 10% of the working age population claiming one of these benefits. In February 2011 there were over 180,000 people in receipt of either ESA or IB in Wales, and over 60% of these claimants have been claiming for over 5 years.

Just under half of ESA and of IB claimants are female. Nearly four out of ten (38%) IB claimants are aged over 50, with a slightly lower proportion of ESA claimants being in this age group (31%). 15% of ESA claimants are aged 16 – 24. Only 900 out of 42,000 ESA claimants are from an ethnic minority (data is not available for IB claimants), but there are some doubts about the reliability of the data.

ESA / IB claimants are unevenly distributed within Wales. Some of the most deprived local authorities have twice as many claimants as the more advantaged areas (table 5). The local authorities with the highest rate of claimants include Merthyr Tydfil (14.1%), Neath Port Talbot (14.1%) and Blaenau Gwent (13.9%). Some of lowest claimant rates can be found in Monmouthshire (6.5%), Flintshire (6.8%) and Powys (6.9%).
Table 5: ESA/IB claimants according to Welsh local authority (February, 2011)

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Number of claimants</th>
<th>Claimant rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merthyr Tydfil</td>
<td>5,150</td>
<td>14.5</td>
</tr>
<tr>
<td>Neath Port Talbot</td>
<td>12,240</td>
<td>14.1</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>6,030</td>
<td>13.9</td>
</tr>
<tr>
<td>Rhondda Cynon Taff</td>
<td>19,300</td>
<td>12.9</td>
</tr>
<tr>
<td>Caerphilly</td>
<td>13,350</td>
<td>12.1</td>
</tr>
<tr>
<td>Bridgend</td>
<td>9,820</td>
<td>11.6</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>11,710</td>
<td>10.6</td>
</tr>
<tr>
<td>Torfaen</td>
<td>5,820</td>
<td>10.3</td>
</tr>
<tr>
<td>Swansea</td>
<td>15,320</td>
<td>10.2</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>5,560</td>
<td>9.5</td>
</tr>
<tr>
<td>Conwy</td>
<td>5,820</td>
<td>9.0</td>
</tr>
<tr>
<td>Newport</td>
<td>7,920</td>
<td>8.9</td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td>6,000</td>
<td>8.6</td>
</tr>
<tr>
<td>Anglesey</td>
<td>3,410</td>
<td>8.3</td>
</tr>
<tr>
<td>Wrexham</td>
<td>6,920</td>
<td>8.1</td>
</tr>
<tr>
<td>Cardiff</td>
<td>17,460</td>
<td>7.4</td>
</tr>
<tr>
<td>The Vale of Glamorgan</td>
<td>5,630</td>
<td>7.2</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>5,180</td>
<td>7.0</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>3,390</td>
<td>6.9</td>
</tr>
<tr>
<td>Powys</td>
<td>5,370</td>
<td>6.9</td>
</tr>
<tr>
<td>Flintshire</td>
<td>6,470</td>
<td>6.8</td>
</tr>
<tr>
<td>Monmouthshire</td>
<td>3,500</td>
<td>6.5</td>
</tr>
<tr>
<td><strong>Column Total</strong></td>
<td><strong>181,370</strong></td>
<td><strong>9.5</strong></td>
</tr>
</tbody>
</table>

Source: NOMIS, 2011

All ESA claimants have been subject to the Work Capability Assessment since its introduction in 2008. Outcomes of the Work Capability Assessments for new claimants for the period October 2008 to November 2010 show that 39% were found to be fit for work. It is estimated that half of those found fit for work will move on to JSA, whilst others will either move off benefits altogether (30%) or move onto other benefits, such as Income Support and Carers’ Allowance (20%).
For the period October 2008 to November 2010, 19% of those assessed were found to be entitled to the work-related component of ESA, whilst only 5% were allocated to the support group. The remaining 36% of claims were closed before their assessment was complete.

It is worth noting that these figures do not cover the period from March 2011 – when changes were made to the test to make it harder to score the points needed to be found unable to work.

2.2.3 Impact of Change

It is difficult to forecast the impact of the changes to ESA/IB, both in the short-term and as a result of the introduction of Universal Credit. However we do know that:

- Work Capability Assessments are likely to continue to see a substantial proportion of claimants being found fit for work and moved off ESA / IB and onto JSA. At the very least, the process of WCAs is generating high levels of anxiety and stress, with considerable risks of disabled claimants being wrongly denied benefit. There is some evidence to suggest that a high proportion of WCA decisions are overturned on appeal. Indeed the WCA has been subject to an independent review.

- As a result of the 1 year limit on contribution-based ESA claims for those in the work-related group, the DWP suggests that 40% of these claimants will move off the benefit with an average loss of £89 per week.

- A large proportion of people being moved off ESA will have been claiming for more than five years. Being out of the job market for so long may have implications for their ability to find suitable work particularly when the job market is already weak.

- The areas which will see the biggest reduction in the number of claimants are likely to be those which are least able to cope due to their weaker job markets. In a weak economy employers may be unable or unwilling to devote additional resources to make adjustments to employ a disabled person.
Disability Living Allowance (DLA) is a cash contribution made towards the extra costs which may arise from an impairment or health condition. This is a non-means-tested benefit which is paid regardless of employment status. There are two components – care and mobility – which are paid at different rates.

Independent Living Fund (ILF) allows disabled people to live independent lives rather than rely on residential care. Payments made under the scheme can be used to pay for support and services.

2.3 Disability Living Allowance and Independent Living Fund

Disability Living Allowance (DLA) is a cash contribution made towards the extra costs which may arise from an impairment or health condition. This is a non-means-tested benefit which is paid regardless of employment status. There are two components – care and mobility – which are paid at different rates.

Independent Living Fund (ILF) allows disabled people to live independent lives rather than rely on residential care. Payments made under the scheme can be used to pay for support and services.

2.3.1 Changes to DLA and ILF

From June 2010:

- The Independent Living Fund is closed to new applicants.

From March 2013 (currently under review):

- The Personal Independence Payment replaces Disability Living Allowance. Two rates are paid for each of the components. The first component assesses people’s ability to get around, and the second looks at their ability to carry out other key tasks necessary to be able to participate in daily life.

Source: Disability Wales

Sharon, a disabled woman in North Wales who has Chronic Fatigue Syndrome/ME

Sharon started her own company in 2008 and employed five people. She received support from Access to Work to employ a personal assistant. At the end of 2008 her health deteriorated and she closed her company in 2010 due to this. She applied for Employment Support Allowance which was a lengthy process, during which she received inconsistent advice, and the Benefits Agency lost information. Sharon didn’t have the energy to deal with it all, and had to wait eight weeks before she received any money.

The assessment failed to take into account the difficulties she encountered in relation to her condition and didn’t bear any reality/any relationship to what had actually happened during the assessment and the difficulties she encountered. Sharon was only awarded six points which meant she was not eligible for ESA and the benefit was stopped. She appealed against the decision, and waited months for a tribunal hearing. At the tribunal hearing she was awarded 15 points which meant the medical assessment decision was overturned having gone through a long, laborious and emotional process to secure her entitlement to ESA.
2.3.2 Recipients of DLA

In Wales, over 244,000 people received DLA as of February 2011. The majority of these recipients were older people, with almost half over 60 years of age, and about half of recipients are women. We have not been able to identify data on ethnicity. The vast majority of people claiming DLA have been doing so for a prolonged period of time, with most claiming for over five years (table 6).

<table>
<thead>
<tr>
<th>Table 6: Duration of DLA claims in Wales (February, 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number</strong></td>
</tr>
<tr>
<td>Less than 12 months</td>
</tr>
<tr>
<td>1 year and up to 2 years</td>
</tr>
<tr>
<td>2 years and up to 5 years</td>
</tr>
<tr>
<td>5 years and over</td>
</tr>
</tbody>
</table>

Source: NOMIS, 2011

2.3.3 Likely Impact

The changes to DLA affect a large number of people in Wales, particularly in the areas where claimant rates are relatively high. It is not clear at this stage how many people will be affected by changes to either of the benefit regimes. However, taking into account the characteristics of the recipients, and the context in which these changes are being made, we can anticipate:

- UK Government forecasts assume a 20% reduction in the number of DLA/PIP recipients. Those who stop receiving DLA/PIP altogether will experience a significant loss of income, whilst those who receive the lower level of PIP support will also experience a reduction.
- The loss of income and independence arising from it could result in substantial increases in demand on local authorities for non-residential social care.

2.4 Conclusions and research questions

The recent and proposed changes to disability benefits will undoubtedly affect many disabled people, with Wales being particularly affected because of the relatively high proportion of the population that claims a disability related benefit.

The impact of DLA reform and the limiting of work-related ESA (contribution-based) claims to one year will not be felt for some time. Therefore our research focuses mainly on the impact of those reforms which have already been put in place. In particular it seeks to find out:
• What are people’s experiences of no longer being able to claim the Independent Living Fund? How are people coping without these funds? What is the impact on their lives?
• What are people’s experiences of the work capability assessment?
• How are incapacity benefit recipients who are now being found ‘fit for work’ coping with their transition to JSA?
• What are their experiences of finding work?
• In particular, how are those who had previously been claiming Incapacity Benefit for a prolonged period of time coping?
• To what extent are their employment-related training and support needs being met?
• What can be done by employers to make it easier for people on the work related component of ESA into work?

28 Wood, Cheetham and Gregory (2011), “Less money doesn’t have to mean a poorer service for disabled people...”: Coping with the Cuts’, Demos.
29 The Guardian, ‘Willing and able’, http://www.guardian.co.uk/beyondboundarieslive/willing-and-able
31 Joseph Rowntree Foundation, (2004), ‘Disabled people’s costs of living’
33 Gore and Parckar (2010), Rights and reality: Disabled people’s experiences of accessing goods and services, Leonard Cheshire Disability
34 Replaced Incapacity Benefit (IB) in 2008.
35 National Assembly for Wales (2011), Welfare in Wales Series: Impact of reforms
36 NOMIS, 2011
37 Nomis, May 2011
40 House of Commons (2011) ‘The role of incapacity benefit reassessment in helping claimants into employment’
42 NOMIS, 2011
The social security system has long provided help for people’s housing costs, primarily (although not exclusively) making a contribution to the costs of renting. As with most other benefits, both the current regime and the changes proposed are complex. This section provides a brief overview of existing and proposed changes to housing-related benefits and explores the possible impacts on people and communities in Wales.

The changes to support for housing costs are taking place in the context of a housing crisis in Wales, in which a shortage of supply and rapidly rising demand is making both privately-rented and owner-occupied housing unaffordable for many. The context includes:

- Private sector rents which have been steadily rising.
- 5,030 repossessions of owner-occupied homes in Wales in 2011.
- Owner-occupied housing being unaffordable for those on low-incomes.
- The number of people statutorily homeless is rising – up 13% in the first quarter of 2011 compared with 2010.
- The lowest number of newly-built owner-occupied homes being completed since the second world war.
- An estimated 90,000 people still being on housing waiting lists. An additional 284,000 homes are needed in Wales between 2006 – 2026, which includes 101,000 from the social-rented sector.

3.1 Housing Benefit

Housing Benefit (HB) is payable to people on low incomes, who also have capital below a certain threshold, in order to assist them with the cost of their housing. For those in social housing, it is paid at a rate which is the same as their ‘eligible’ rent. Private tenants’ benefits are calculated according to their Local Housing Allowance rules (LHA). The LHA rate depends upon the area in which they live and who they live with. LHA rates are set for different types of accommodation within each area, which include a single room in a shared house and properties with up to 4 bedrooms.

3.1.1 Changes to Housing Benefit

Numerous changes are being made to Housing Benefit, which are being introduced at different times for different types of tenant. Some are made under current legislation whilst others are proposed in the Welfare Reform Bill. The changes are as follows:

From April 2011:

- New private tenants cannot claim benefit for rent which is above that of the cheapest 30% of accommodation in their area (replacing the previous cap of 50%).
- Benefit paid to private tenants will be restricted to a limit for a particular size of property (e.g. £290 per week for a 2 bedroomed property).
• No private tenant will be able to claim for accommodation with more than four bedrooms.
• The amount deducted from HB if non-dependent adults live in the same household as the claimant is increased (in stages).

These changes were immediate for new claimants, but staggered for existing recipients.

From January 2012:

• New and existing private sector tenants under the age of 35 cannot receive more than the going-rate for shared accommodation, irrespective of the type and size of accommodation occupied.

From April 2013, all claimants will be affected by:

• Benefit paid to working age tenants in socially-rented housing will be limited to a rate for appropriately-sized accommodation (this limit already applies to private tenants).
• A limit on claimants’ total benefit entitlement of £500 a week for a family (£350 a week for single person).

It is also important to note that from April 2013 Local Housing Allowance will be up-rated in line with the Consumer Price Index as opposed to the Retail Price Index. This will not only reduce LHA increases, but may also not properly account for the cost of housing.

These changes are alongside the proposed cap on all benefits of £500 per week, which is also due to come into force from April 2013, with all changes taking place in the context of the move to Universal Credit which is expected to combine Housing Benefit with other benefits into a single means of support. The overall benefit cap will be applied through reductions in housing support. Those with particularly high housing costs may exceed the cap imposed on their benefits which may then mean that they have to move. However this is only expected to affect those people living in areas with exceptionally high housing costs.

### 3.1.2 Profile of Claimants

Nearly a quarter of a million households (244,350) in Wales received Housing Benefit in July 2011, about a fifth of all households. This figure has been steadily growing over the past few years. Since November 2008, the number of Housing Benefit recipients in Wales has gone up by 16% (Figure 1). The number went up by 2.9% from July 2010 alone, with the largest percentage increases in Conwy and Vale of Glamorgan (both up 4.6%) and Cardiff (up 4.3%).
Figure 1: Number of Housing Benefit recipients in Wales (2008-2011)

Table 7: ‘Low’ and ‘high’ concentrations of socially-rented Housing Benefit recipients in Wales (July, 2011)

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>% of Housing Benefit recipients living in socially-rented housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>‘Low concentration areas’</td>
</tr>
<tr>
<td>Conwy</td>
<td>53</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>51</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>51</td>
</tr>
<tr>
<td>The Vale of Glamorgan</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>‘High concentration areas’</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>74</td>
</tr>
<tr>
<td>Torfaen</td>
<td>82</td>
</tr>
<tr>
<td>Monmouthshire</td>
<td>74</td>
</tr>
<tr>
<td>Wrexham</td>
<td>79</td>
</tr>
</tbody>
</table>

Source: NOMIS, 2011
More than two-thirds of benefit recipients live in socially-rented housing (164,220). Again, there are geographical variations in patterns of tenure across Wales. The areas with the highest and lowest proportions of Housing Benefit recipients living in socially-rented accommodation are presented in table 7. In some areas the overwhelming majority of Housing Benefit claimants are in socially-rented housing, with the highest being Torfaen (82%). Other areas have a much lower proportion of Housing Benefit claimants living in socially-rented housing, such as Denbighshire (51%).

There is no breakdown for Wales of the characteristics of HB recipients. However at a UK level 79% of the Housing Benefit recipients were single in 2011, with almost two-thirds of these being female. Figures also show that 34% of the total recipients had at least one child, with 68% of these being lone parents. We can reasonably assume that Wales has a similar pattern to the UK.

In Wales, the majority of recipients (71%) claim Housing Benefit alongside other income-related benefits, with Income Support being the most common. However under-claiming of Housing Benefit is also considered to be a widespread problem.

3.1.3 Likely Impact

Several organisations have forecast the number of people affected by changes to HB and the financial impact on households. They can be summarised as follows:

- Almost all private sector claimants (48,000 people) will lose out when HB is calculated using the cheapest 30% of rents rather than the average, typically losing £9 a week.\(^5\)
- The limit of rent to “appropriately-sized accommodation” is estimated to affect about 40,000 working age social housing tenants who under-occupy their homes and could lose an average of £11 a week because of this.\(^6\) This change is predicted to have the greatest impact on older working age householders whose children have left home.
- Claimants under-35 will be unable to claim help towards the cost of their own accommodation and be forced to share. This will affect around 3,080 people in Wales, with an average loss of £24 a week.\(^7\)
- Any households that include an adult who is not dependent on the main tenants, e.g. a working son or daughter, will lose some of their Housing Benefit or might ask the person to leave. This may result in a higher number of younger people seeking their own accommodation.
- All claimants across the UK will be worse off by £5.50 per week as a result of Local Housing Allowance rates being increased in line with the CPI instead or RPI.\(^8\) This is based upon one year, and the cumulative effects could make this figure higher in later years.
- Those who exceed the annual cap on benefits may be forced to move as their housing support is reduced.
Although the introduction of some changes will be phased, many tenants will be affected in multiple ways. For example all tenants will lose £5.50 a week from the change to the up-rating method and almost all will lose about £9 per week from the change to the 30% rent limit. On top of this, some tenants will lose additional sums if they ‘over-occupy’ their home or have non-dependent adults living with them.

Charlotte from mid Wales

Charlotte, a single woman of 65, suffered a large reduction in HB as a result of LHA changes. Her assured shorthold tenancy commenced in 2000, with rent at £400 per calendar month. The LHA reduction made her property unaffordable, with her benefit now standing at only £276.00, a shortfall of £124 per month, which she had been paying for from her small amount of savings and by not using her car. Her Landlord refused to decrease rent and indicated that he would in fact increase it. Her local authority advised her that the only option was to move house.

Source: NOMIS, 2011

3.2 Support for Mortgage Interest

Much less well-known than HB is Support for Mortgage Interest. This payment is made to those receiving certain benefits to help with paying the interest costs of their mortgage. The rate of payment is set by the UK Government, and not according to the individual’s actual cost of their mortgage interest.

From October 2010 the interest rate supported by SMI dropped from 6.08% to the Bank of England Base Rate.

In February 2011 there were 13,400 people in receipt of Support for Mortgage Interest in Wales. This represents an 11% fall in the number of claimants based upon the previous February 2010 figure of 15,000.59 There is no information about the characteristics of SMI recipients in Wales, although in the UK as a whole recipients tend to be older and also to claim a range of other benefits. In 2009, 52% of recipients were aged between 40 and 64, and 38% of recipients were over 65 years of age. Only 10% of those receiving the benefit were under 40 years of age.

The main impact of the change in the interest rate paid is that, as the UK Government’s own analysis carried out as part of their Equality Impact Assessment into the reforms revealed, many more people than at present will not have the full cost of their mortgage interest met by the benefit.60 The UK Government estimates that 40% of recipients will receive less than 80% of their mortgage interest costs (Table 8). A small proportion of people (7%) will be particularly affected, as they will have less than 60% of their mortgage interest costs covered.
### Table 8: Predicted future shortfalls experienced by recipients (Wales)

<table>
<thead>
<tr>
<th>Proportion of mortgage interest costs covered</th>
<th>Proportion of recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 60%</td>
<td>7%</td>
</tr>
<tr>
<td>Less than 70%</td>
<td>25%</td>
</tr>
<tr>
<td>Less than 80%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: DWP, 2011

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**John and Margaret from the South Wales Valleys**

John and Margaret, a married couple aged 57 and 59 suffered a large reduction in their Support for Mortgage Interest payment. Margaret is in receipt of Incapacity Benefit and John is on JSA. They were in receipt of Support for Mortgage Interest of £147 per month, but this has now reduced to £81 per month. As a result, they can no longer afford to pay their mortgage. Their lender has now obtained a Possession Order. They will have to rent a home and claim LHA, which will be approx. £281 per month – substantially more than the Support for Mortgage Interest that the DWP were originally paying.

Source: Shelter Cymru, January 2011

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**Kath from Llandrindod Wells**

Kath, a 64 year old disabled woman has had her Support for Mortgage Interest payment reduced by 50%, and anticipates that she may have to sell her home which is fully adapted to meet her access requirements.

She states “The future looks bleak, I am already being treated for severe depression and the stress has already increased my other impairments.”

Source: Disability Wales

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### 3.3 Conclusions and questions for further research

The changes to Housing Benefit and to Support for Mortgage Interest will affect about a quarter of a million households in Wales. Even those who are least affected – namely those in appropriately-sized, relatively cheap accommodation – will lose nearly £15 a week. This is a substantial sum to lose from an already-modest income. But households whose housing is deemed to be too large or too expensive will experience
even greater reductions in benefit, of up to a further £24 a week for under-35 year olds who do not share and even more for households with high interest mortgages.

It is far from clear how households faced with such severe reductions in help with their housing costs will respond, e.g. will they move home? Equally, it is not clear how the housing market in general, and in particular the private and socially-rented sectors, will respond, for example with a decrease in rents or with managed relocation.

It is possible to suggest, however, that those local authority areas with the highest HB claim rates (i.e. Blaenau Gwent, Torfaen, Wrexham and Monmouthshire) will experience the greatest impact although all local authority areas in Wales will see a considerable effect.

Key questions for further research are:

- What is the experience of those in private rented accommodation who can no longer afford their rent due to their HB being cut?
- How are different social groups coping with this cut? In particular, how are the most disadvantaged groups coping, such as lone parents, and older people?
- What is the experience of those aged between 25 – 35 who can now only claim for shared accommodation?
- How are different groups being affected by the reductions in Support for Mortgage Interest?
- To what extent are these impacts being mitigated?
- Who is alleviating the impacts, and how?
- How can impacts be alleviated further in the future?

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46 Ministry of Justice, 2011
47 Shelter (2010), ‘The human cost: How the lack of affordable housing impacts on all aspects of life’
50 Community Housing Cymru (2011), Community Housing Cymru Group response to finance committee on draft budget proposals 2012-13
51 Subject to legislation
52 NOMIS, 2011
53 NOMIS, 2011
54 NOMIS, 2011
59 Data obtained by request from DWP for the latest Wales level data
60 DWP (2010), ‘Equality Impact Assessment: Support for Mortgage Interest’
The Social Fund provides a range of grants and repayable loans to assist people on low incomes to meet one-off expenses on necessities and to cope with emergencies. As such, some elements of the Social Fund provide a safety net for people when they are in most need whilst other elements provide universal payments.

### 4.1 About the Social Fund

The Social Fund includes seven different types of benefit, which are divided into regulated and discretionary components:

The **regulated** funds are automatically paid to those who meet certain qualifying criteria, and consist of:

- **Maternity Grant** – a one-off payment to help with the costs of maternity and baby items paid to those on low-incomes.
- **Cold Weather Payment** – paid to certain people claiming means-tested benefits during periods of very cold weather.
- **Winter Fuel Payment** – is a non-means-tested annual payment paid to older people during the winter months.
- **Funeral Grant** – are payments made to cover the cost of essential funeral expenses for people claiming certain means-tested benefits.

For the **discretionary** element people are not automatically entitled to the funds even if qualifying criteria are met:

- **Crisis Loan** – an interest-free loan payable to anyone to meet immediate, short-term needs in an emergency or disaster. It is only payable if a person has insufficient resources to prevent serious risk to health or safety of themselves or their family. It is sub-divided into loans for living expenses and “alignment loans” to cover the period until a first wage or benefit payment is received.
- **Community Care Grant** – a non-repayable grant awarded for a range of expenses, including household equipment, to support vulnerable people to return to or remain in the community or to ease exceptional pressure on families.
- **Budgeting Loan** – a loan to help with the expenses which are difficult to budget for when living on means-tested benefits, for example large household items or repair costs.

### 4.2 Context of changes

The UK Government has already made several changes to the Social Fund. These changes are taking place in the context of:

- The soaring cost of goods with the Consumer Price Index increasing from 4.5% to 5.2% in September 2011 alone, while the Retail Price Index rose to a 20-year high at 5.6%.
• The cost of food is rising even more quickly – up 6.4%. An Oxfam survey found that food expenditure has risen for more than 80% of low-income households, leading many to opt for lower quality food or worse still to skip meals altogether.\(^6^1\) The cost of rice has risen sharply\(^6^2\), which has a disproportionate impact on some BME communities where rice is often part of the staple diet.

• Fuel and energy costs are a particular concern, with gas prices up by 22.3%, and electricity bills up 12.9% in the past year alone.\(^6^3\)

• Expenses such as schools trips/uniforms, clothes/shoes and replacing household items are also not being met by benefits.\(^6^4\)

• More people are turning to more costly means of borrowing to fund their extra expenses, in the last four years, there has been a 40% rise in the number of people turning to loan sharks in Wales.\(^6^5\)

• In the future, more infrequent payments brought about by the introduction of the Universal Credit may increase demand for Crisis Loans.

### 4.3 Crisis Loans

Crisis Loans are the most significant element of the discretionary Social Fund, with more people seeking a Crisis Loan than any other element. At the UK level there has been a significant increase in the number of people applying for Crisis Loans – up 38% since 2007\(^6^6\). Within Crisis Loans, the greatest expenditure is on ‘alignment living expenses’ (see Table 9), payable when awaiting a benefit payment or first wage,\(^6^7\) followed closely by loans for items or services. The average value of awards for Crisis Loans over the past few years has consistently been around £80.\(^6^8\)

#### Table 9: Gross expenditure by purpose, UK level (2010/2011)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount (£m)</th>
<th>% of total amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items or services</td>
<td>72.6</td>
<td>31.9</td>
</tr>
<tr>
<td>Rent in advance</td>
<td>13.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Living expenses (general)</td>
<td>66.5</td>
<td>29.2</td>
</tr>
<tr>
<td>Living expenses (alignment)(^1)</td>
<td>74.5</td>
<td>32.8</td>
</tr>
</tbody>
</table>

\(^1\) Denotes payments made to cover expenses up to the first payment of wages or benefits

Source: DWP, 2011

#### 4.3.1 Changes to the Fund

From April 2011, claimants are limited to receiving a maximum of three “living expenses” loans per year. In addition loans are no longer paid for emergency items such as cookers and beds, and the maximum rate payable is reduced from 75% to 60% of benefit rate. The Welfare Reform Bill proposes further changes by replacing Crisis Loans with annual limits.
Loans for living expenses with new arrangements that, in Wales, are to be determined by the Welsh Government and which will take effect from April 2013. (Alignment loans are to be absorbed into a new “payment on account” system that will be operated by DWP and are not affected by the three claims limit).

### 4.3.2 Profile of Claimants

The importance of Crisis Loans to people in Wales is clear from the 140,000 that were awarded in Wales in the period 2009-2010. The number of awards and their average value varied by local authority (see Appendix 3), however the reasons for this variation are not clear.

At a UK level the majority of recipients are single, aged under 35, white and not disabled. Nevertheless, this means that a significant minority are disabled (16%) or lone parents (12%), and relatively young (37% aged 18-24) with these groups being more prevalent amongst Crisis Loan recipients than in the population as a whole.

At a UK level in 2010/2011, around 1 in 5 of the applications submitted for a Crisis Loan were initially refused with not all refusals being correctly made. The majority of people initially refused a Crisis Loan are some of the most disadvantaged people, with 64% of them unemployed and 14% disabled. The DWP’s annual report showed that for three-quarters of people who are initially refused a Crisis Loan the reason given is that there is no serious risk to their health and safety. Other reasons given for Crisis Loan refusals listed in this report include ‘benefit sanction / dis-allowance’ (7%), ‘excluded items’ (6%), ‘previous applications and decision’ (5%), ‘inability to repay’ (4%), and ‘other’ (2%).

The Trussell Trust foodbank Network in Wales has experienced a large increase in the number of food parcels they distribute, due in part to the effects of the recession and, more recently, job losses. Their data also shows that an increasing number of people are visiting the food banks because of delays in benefit payments or they have been refused a Crisis Loan.

Research from the Joseph Rowntree Foundation found that there are many eligible applicants for a Crisis Loan who do not make applications due to a lack of awareness of the fund. The lack of take-up may have serious consequences as people may instead be relying on more costly forms of borrowing cash in emergencies.
4.3.3 Likely Impact

If people are refused a crisis loan (because they may have reached their current annual limit), then not only may their immediate needs not be met, but also they are at risk of falling into deeper debt and homelessness.

It is difficult to estimate the impact of changes from April 2013 as it is not yet clear how Crisis Loans will be implemented in Wales. This is an issue that needs to be monitored.

4.4 Community Care Grants

Community Care Grants are currently payable to anyone in receipt of income-related benefits to support vulnerable people to return or remain in the community, or to ease exceptional pressure on families. From April 2013, Community Care Grants will be abolished and responsibility for meeting their needs devolved to the Welsh Government. The arrangements to replace the Grants are currently under consideration.

Community Care Grants are considerably less numerous than Crisis Loans, with 18,960 Grants awarded in Wales in 2009/10. However the average value of an award is higher at £435, and recipients are more likely to be lone parents and disabled people. As the change to Community Care Grants are not yet clear it is impossible to identify the likely impact at this stage, although whatever they are disabled people and lone parents will be particularly affected simply because of their over-representation amongst current claimants.

4.5 Maternity Grants

Maternity grants provide a grant of £500 on the birth or adoption of a child to families receiving certain income-related benefits or tax credits. From April 2011, claims for Maternity Grant were restricted to the birth of the first child, with claims in respect of subsequent children no longer being allowed. This change is in addition to the abolition of the Health in Pregnancy Grant (worth £190) from January 2011.

There is no data available on Maternity Grants claimed in Wales, but UK data suggests that the conditionality of the award means that all recipients are on low incomes. Table 10 shows that nearly half of claimants were employed and more than 1 in 5 were lone parents. There is no further breakdown of the data.

The impact of the abolition of the Health in Pregnancy Grant and restrictions on the Maternity Grant have received much less attention than other benefit reforms. Yet the financial impact on pregnant women who already have one child and who live on low incomes is likely to be considerable. The loss of £690 at a time of increased expenditure on baby equipment and healthy food could have a significant impact on women and their families. In addition, the loss of the Grants occurs at a time when
women in employment face a drop in income from their maternity and are vulnerable to pregnancy-related discrimination.

ItFor younger mothers these reductions, in combination with their lower entitlements e.g. to the National Minimum Wage or Jobseeker’s Allowance, leave them in a particularly disadvantaged position. However it is likely that the reduction will equally affect older mothers who are single or on low incomes.

4.6 Winter Fuel Payment

Winter Fuel Payment is a universal benefit for older people, which is paid automatically regardless of individual circumstances.

From November 2011 the payment was reduced from £250 to £200 for those aged 60 – 80, and from £400 to £300 for those aged 80 plus.

During the winter of 2010/2011 over 12 million people in the UK received Winter Fuel Allowance, with 2.6 million recipients aged 80 or over. Figures show that 54% of recipients were female, and this rose to 62% for those over 80. There is no reason to expect that the proportions in Wales would be substantially different.

The reduction in payment comes at a time when fuel costs are rising rapidly. The combination of rising prices and the reduction in payment means that Winter Fuel Payment is significantly less valuable to older people today than a few years ago: in 2008 the higher level Payment covered 63% of the average household electricity bill by 2011 it covered just 50%. The 100,000 pensioners living in poverty within Wales may struggle to heat their homes adequately, or be forced to choose between heating and eating. For those aged over 80, who face the biggest drop in their payment, they may be at greater risk of ill-health, which ultimately results in higher costs to the public purse.

4.7 Conclusions and Research Questions

The changes to some of the Social Fund grants are potentially far-reaching, either
affecting a large number of vulnerable people, as with the changes to Winter Fuel Payment, or relatively small numbers of people in severe hardship, as with the changes to Crisis Loans. It remains to be seen what arrangements will be made for the successors to Crisis Loans and Community Care Grants in Wales as new responsibilities are devolved, but whatever arrangements are adopted they will disproportionately affect disabled people, single parents and young claimants.

We need to find out more about:

- How are people from different social groups coping with the changes to Winter Fuel Payment and Maternity Grant?
- What has been the effect of limiting the number of claims for Crisis Loans?
- What difference is this making to them and their families’ daily lives?
- In particular, what effect is it having on key aspects of their lives (health, well-being, access to services, education etc.)
- To what extent are these impacts being mitigated?
- Who is alleviating the impacts, and how?
- How can impacts be alleviated further in the future?

61 Wales Online, Parents skipping meals to ensure their children can eat, says Oxfam, Oct. 2011
63 Centre for Economic and Business Research (2011), ‘Asda Income Tracker Survey’
65 BBC News (2011), ‘Number using loan sharks in Wales up 40% in four years’, available from: http://www.bbc.co.uk/news/uk-wales-14408885
76 Joseph Rowntree Foundation (2006), The Social Fund: Current role and future direction
There can be no doubt that the UK Government’s programme of welfare reform will have a significant impact on the incomes and well-being of thousands of people in Wales. Across the myriad of different benefits, our preliminary analysis highlights that there is one common theme – that reform means cuts in income for the vast majority of benefit recipients. From relatively modest cuts of £5 a week arising from changing the uprating mechanism of Housing Benefit, to the total loss of income if a claimant is found to be not complying with benefit conditions there are, at least until there is more detail available on Universal Credit, few circumstances in which a claimant will be better off in the new regime.

With already high levels of unemployment, few vacancies and prospects for economic growth looking distinctly weak, it is hard to see how those who are being moved towards finding work will actually do so, not least as their lack of experience or impairments may put them at a disadvantage in a competitive labour market.

It is not just the sheer number of people in Wales who will be adversely affected by the changes, there is also the question of the complexity of the reforms and the impact of multiple changes to benefits. Many claimants receive more than one benefit – for example JSA for living costs, HB to help with housing costs, and a Crisis Loan when a benefit payment is delayed or a Maternity Grant on the birth of a child. The impact on individuals, households and communities of this multiplicity of changes are simply impossible to assess at this stage, although we can be confident that the impact is unlikely to be positive.

By definition, those affected by the reforms are already on low incomes. However the evidence that is available suggests that particular groups will be especially affected, albeit in different ways. We are particularly concerned with what impact the changes will have on different groups protected from discrimination under the Equality Act 2010 and how the public sector bodies will evidence compliance with s.149 of the Act when implementing these far-reaching policy changes. Single parents stand out as likely to experience multiple and severe pressures: not only have they been moved from IS to JSA when their child reaches the age of 5, they are also likely to be disproportionately affected by changes to Crisis Loans and Community Care Grants, Maternity Grant and Housing Benefit. They also face a particularly tough challenge finding work compatible with their caring responsibilities and securing affordable childcare, and in a slack labour market too. It has been found that the changes to tax and benefits may have an adverse impact on child poverty. A study by the Family and Parenting institute, which attempted to isolate the impact of tax and benefit changes on household incomes, found that as a result of the changes relative child poverty is set to increase between 2010-11 and 2015-16 by around 400,000. The study also found that absolute child poverty, as defined in the Child Poverty Act (2010), will increase between 2010-11 and 2015-16 by around 500,000.

Disabled people also face severe challenges, particularly if they lose their eligibility for DLA and ESA/IB. They could experience a sharp drop in income as well as pressure to
find work as a condition of JSA or work-focused ESA in a slack labour market. Pressures on housing costs, especially if it has been adapted to meet a person’s needs, could also be acute.

Communities and local authority areas with a relatively high proportion of claimants are also likely to see very significant changes in incomes and wellbeing, as are those where claimant levels may be lower but there are few opportunities and higher costs. Estimates of the value of benefits likely to be withdrawn from the Welsh economy suggest there could also be significant knock-on effects into the local economy as households cut their expenditure on goods and services. In addition, communities face disruption if people are required to down-size to suitable accommodation.

The warning signals for Wales are already there. Many of the changes to benefits identified in this report are already implemented, whilst others are highly likely to be introduced after the Welfare Reform Bill has completed its passage through the UK Parliament. There is no going back on these changes and the challenge ahead is to ensure that they are implemented efficiently and fairly, and that steps are taken to mitigate the worst effects.

- The Welsh Government, local authorities and other public bodies need to actively develop analysis and actions to mitigate the worse effects of the reforms. We recommend some key steps to do this:
  - In addition to the Welsh Government taking the step of identifying one key Cabinet Minister to take the lead on the response to reforms, they should also engage with stakeholders in collecting evidence. Local authorities should do the same and identify a Cabinet member or key Committee Chair.
  - In engaging with stakeholders, several stakeholder advisory groups should be established – consisting of people with experience in each of the welfare areas.
  - Welsh Government should incorporate the likely impacts and possible policy responses into its new Tackling Poverty Action Plan, and new responsibilities, for example the Social Fund.
  - Welsh Government and local authorities should undertake an urgent exercise to establish the fiscal burden and liability transfer to them as a result of UK Government changes.
  - A National Assembly committee should be established – or an existing committee should be asked – to conduct an inquiry into the changes, and take evidence from key stakeholders.
  - Strong representations should be made to Ministers in the UK Government about the likely impacts of reforms on people in Wales.
  - In the UK Parliament, the Welsh Affairs Committee should be monitoring the impact of the welfare reforms on people in Wales.

Appendices

Appendix 1. Research aims

The research component of the project is being carried out by the Bevan Foundation, and seeks to gain a greater understanding about the impact of the cuts in order to inform our campaign work. Specifically, we are examining the welfare reforms.

We have selected a series of changes to benefits in order to understand their impact on different groups within Wales. Through understanding the impact of specific changes, we are able to build a stronger case about the effects of the cuts. We aim to use this research base in order to develop recommendations about how the impact of these reforms may be mitigated.

We are looking at changes in the following areas:

- **Social Fund** (Winter Fuel Payment, Crisis Loans, Maternity Grants)
- **Housing** (Housing Benefit, Support for Mortgage Interest)
- **Disability welfare** (Incapacity Benefit/Employment and Support Allowance/Disability Living Allowance/Independent Living Fund)
- **Out of work benefits** (Jobseeker’s Allowance, Income Support)

A surprising number of these changes have already been implemented, with many going relatively unnoticed. However, their impact is complex and time sensitive. If a change is introduced in April 2011, not everybody will feel its impact straight away. This underlies the design of the research, with fieldwork being carried out at the time when the change is predicted to have an impact (Appendix 2). The research begins with looking at the Social Fund where many changes have already been implemented.

We are particularly concerned with what impact the changes will have on different groups with ‘protected characteristics’ within Wales.
<table>
<thead>
<tr>
<th>Timing</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-10</td>
<td>Reductions in the Support for Mortgage Interest (dropped from 6.08% to a Bank of England Base Rate)</td>
</tr>
<tr>
<td>Dec-10</td>
<td>Child Trust Fund – no new funds set-up, and payments to existing funds reduced</td>
</tr>
<tr>
<td>Jan-11</td>
<td>Health in Pregnancy grant abolished (was worth £190 for expectant mothers)</td>
</tr>
<tr>
<td>Feb-11</td>
<td>Reassessment of existing Incapacity Benefit and Income Support claimants for migration to Employment and Support Allowance (expected to be completed by 2014). Those being found ‘fit for work’ will move onto JSA if they are entitled to do so.</td>
</tr>
<tr>
<td>Mar-11</td>
<td>Work Capability Assessment is changed. The new test is said to make it harder to score points and therefore harder to be found to have limited capability for work</td>
</tr>
<tr>
<td>Apr-11</td>
<td>Reductions in Winter Fuel Payments (Cut from £250 to £200 for those aged 60-80; and from £400 to £300 for those aged 80+)</td>
</tr>
<tr>
<td></td>
<td>Maternity Grant will only be available for the first child, unless it is a multiple birth or the new child is the only one in the family under 16</td>
</tr>
<tr>
<td></td>
<td>Increasing the requirements on JSA claimants to find work - they are now required to do three or more steps in their job search per week depending on their circumstances.</td>
</tr>
<tr>
<td></td>
<td>Crisis Loans will be limited to three payments per year</td>
</tr>
<tr>
<td></td>
<td>Child benefit rates frozen for three years</td>
</tr>
<tr>
<td></td>
<td>Freezing Working Tax Credit (WTC) for 3 years</td>
</tr>
<tr>
<td></td>
<td>Cutting childcare subsidy in WTC from 80% to 70%</td>
</tr>
<tr>
<td></td>
<td>Benefits to be uprated using CPI rather than RPI</td>
</tr>
<tr>
<td></td>
<td>The Maximum Savings Credit award of Pension Credit is frozen for four years</td>
</tr>
<tr>
<td></td>
<td>The basis for setting Local Housing Allowance (LHA) rates was changed from the median to the 30th percentile of local market rents</td>
</tr>
<tr>
<td></td>
<td>Capping the maximum LHA weekly rates at £250 (for a 1 bedroom property), £290 (for a 2 bedroom property), £340 (for a 3 bedroom property) and £400 (for 4 bedrooms and more – 5 bedroom rate no longer available)</td>
</tr>
<tr>
<td></td>
<td>Removing the provision for claimants to retain a maximum of £15 per week where their rent is below the LHA payment</td>
</tr>
<tr>
<td></td>
<td>Uprating non-dependent deductions to reflect increases in rent since 2001-02, annually on the same basis</td>
</tr>
<tr>
<td>Summer 2011</td>
<td>Introduction of the Work Programme for those on JSA</td>
</tr>
<tr>
<td>Oct-11</td>
<td>Lone parents will be forced off Income Support and move onto JSA when their child turns 5</td>
</tr>
</tbody>
</table>
It was also announced in October 2011 that regulations will be brought forward to force people to look for work which is within a 90-minute commute of their home (from day one of their claim).

Jan-12  Raising the age under which the Shared Accommodation Rate applies from 25 to 35
The LHA changes introduced for new claimants from April 2011 will now begin for pre-existing claimants

Apr-12  For the Employment and Support Allowance, people in the contributions-based Work-Related Activity Group will have their claims limited to one year. After this time they will have their family income and savings assessed to see if they qualify for the means-tested version of the benefit
Couples need to work 24 hours rather than 16 to get WTC

Appendix 3. Crisis loan awards by Local Authority (2009/2010)

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Total number of awards</th>
<th>Average award value for items</th>
<th>Average award value for living expenses</th>
<th>Average award value for alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Isle of Anglesey</td>
<td>3,210</td>
<td>£237</td>
<td>£61</td>
<td>£74</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>4,560</td>
<td>£234</td>
<td>£58</td>
<td>£69</td>
</tr>
<tr>
<td>Conwy</td>
<td>6,120</td>
<td>£256</td>
<td>£57</td>
<td>£66</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>5,700</td>
<td>£249</td>
<td>£57</td>
<td>£67</td>
</tr>
<tr>
<td>Flintshire</td>
<td>6,330</td>
<td>£262</td>
<td>£59</td>
<td>£68</td>
</tr>
<tr>
<td>Wrexham</td>
<td>7,790</td>
<td>£240</td>
<td>£59</td>
<td>£68</td>
</tr>
<tr>
<td>Powys</td>
<td>3,280</td>
<td>£260</td>
<td>£56</td>
<td>£70</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>1,810</td>
<td>£279</td>
<td>£61</td>
<td>£69</td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td>4,370</td>
<td>£266</td>
<td>£63</td>
<td>£69</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>8,550</td>
<td>£241</td>
<td>£61</td>
<td>£68</td>
</tr>
<tr>
<td>Swansea</td>
<td>10,710</td>
<td>£220</td>
<td>£55</td>
<td>£69</td>
</tr>
<tr>
<td>Neath Port Talbot</td>
<td>6,480</td>
<td>£238</td>
<td>£57</td>
<td>£69</td>
</tr>
<tr>
<td>Bridgend</td>
<td>7,080</td>
<td>£241</td>
<td>£56</td>
<td>£70</td>
</tr>
<tr>
<td>The Vale of Glamorgan</td>
<td>5,420</td>
<td>£235</td>
<td>£56</td>
<td>£68</td>
</tr>
<tr>
<td>Cardiff</td>
<td>20,240</td>
<td>£204</td>
<td>£57</td>
<td>£67</td>
</tr>
<tr>
<td>Rhondda Cynon Taff</td>
<td>12,510</td>
<td>£231</td>
<td>£58</td>
<td>£69</td>
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<tr>
<td>Merthyr Tydfil</td>
<td>3,110</td>
<td>£235</td>
<td>£56</td>
<td>£67</td>
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<tr>
<td>Caerphilly</td>
<td>8,090</td>
<td>£244</td>
<td>£59</td>
<td>£71</td>
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<tr>
<td>Blaenau Gwent</td>
<td>3,430</td>
<td>£250</td>
<td>£60</td>
<td>£69</td>
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<tr>
<td>Torfaen</td>
<td>4,470</td>
<td>£197</td>
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<tr>
<td>Monmouthshire</td>
<td>2,020</td>
<td>£194</td>
<td>£55</td>
<td>£67</td>
</tr>
<tr>
<td>Newport</td>
<td>8,930</td>
<td>£202</td>
<td>£55</td>
<td>£66</td>
</tr>
</tbody>
</table>
### Appendix 4. Work programme timescales

<table>
<thead>
<tr>
<th>Customer Group</th>
<th>Time of Referral</th>
<th>Basis for referral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobseekers Allowance customers aged 25+</td>
<td>From 12 months</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Jobseekers Allowance customers aged 18-24</td>
<td>From 9 months</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Jobseekers Allowance customers who have recently moved from Incapacity Benefit</td>
<td>From 3 months</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Jobseeker Allowance customers facing significant disadvantage (e.g. young people with significant barriers, NEETs, ex offenders)</td>
<td>From 3 months</td>
<td>Mandatory or voluntary depending on circumstance</td>
</tr>
<tr>
<td>All Employment and Support Allowance customers</td>
<td>At any time after their Work Capability Assessment</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Employment and Support Allowance (income related) customers who are placed in the Work Related Activity Group</td>
<td>When customers are expected to be fit for work in 3 months</td>
<td>Mandatory</td>
</tr>
</tbody>
</table>