

Introduction

This briefing aims to provide a brief overview of some of the main aspects of the Welfare Reform Bill. It is of note that a recent report by the Institute of Fiscal Studies found that, after London, Northern Ireland, will be the hardest hit by tax and benefit cuts announced and to be implemented under the Bill between January 2011 and April 2014/15.¹

Universal Credit

The following existing benefits are abolished; income support (IS), income-based jobseekers allowance (JSA), income-related employment and support allowance (ESA), child and working tax credits, housing and council tax benefits and disability living allowance. Universal Credit (UC) is a new 'working age' benefit to replace the existing provision in tax credits, ESA, JSA and IS and housing and council tax benefits.

UC is payable to single people or jointly to members of a couple who are in a 'period of entitlement', which is based on an 'assessment period'. Regulations may define the length of an assessment period and the circumstances in which the period of entitlement may differ from an assessment period and about the amounts payable for a period shorter than the assessment period. Awards of UC are calculated by adding up all the allowances applicable to the claimant and their family and deducting amounts in respect of earned and unearned income.

Allowances are composed of; a standard allowance, amounts for children or qualifying young persons, an amount for housing costs and amounts for 'other particular needs or circumstances'. Amounts for other 'particular needs or circumstances' are likely to reflect current provision such as carer premium, childcare costs allowances and support or work-related components that currently exist in ESA. The particular requirements that may be 'imposed' on a claimant are depend on which of the following four 'groups' the claimant falls into; no work-related requirements, work focused interview requirement only, work preparation requirements (with optional work-focused interview), all work-related requirements

Sanctions

The Bill provides for two types of sanctions; higher level sanctions (e.g. failing, for no good reason, to undertake a work placement imposed under a work-preparation requirement or failing, for no good reason, to apply for a vacancy

¹ James Browne., IFS Briefing Note 114 *The Impact of Tax and Benefit Reform to be introduced between 2010/11 and 2013/14 in Northern Ireland* pg 4

identified under a work search requirement) and other sanctions (e.g. failing, for no good reason, to comply with a work-related requirement; or failing, for no good reason, to comply with a requirement to attend an interview). Higher level sanctions may be imposed for periods up to three years and other sanctions for periods up to 26 weeks. It is unclear if the latter period may be extended in cases where a claimant continuously refuses to meet a compliance condition, which is specifically imposed by the secretary of state to encourage a claimant to meet a work-related requirement or attend an interview.

Hardship Payments

Hardship payments are available where UC is reduced by way of a sanction and the claimant is, or will be, in hardship. Other details including the definition of hardship, the period for which payments will be made, the amount of payments and the recoverability of hardship payments are to be left to regulations. The coalition government has signaled its intention to make hardship payments by way of loans in certain circumstances.

Benefit Cap

The Bill also introduces the 'benefit cap'. In simple terms, the benefit cap is intended to ensure that a single person's or couple's entitlement to welfare benefits, for a defined period, is no more than 'estimated average earnings' for the same period. The secretary of state is authorised to determine 'estimated average earnings' as he sees fit. The benefit cap is intended to operate by identifying benefit entitlement in excess of the cap and reducing payment of certain benefits such that the overall level of benefit income does not exceed the cap.

Cash Protection

The government has stated that no-one will be worse off at the point of transition onto UC. However, there are no details on how long this 'cash-protection' will last; if, as stated so far, protection will only apply until someone's circumstances change, this could be a matter of weeks (for example if hours of work fluctuate), meaning that many of those affected by a so-called 'notional decrease' in entitlement will face a *real* decrease within a short space of time after transferring over to UC. In addition the transitional protection will only commence from October 2013 by which time many of the other social security cuts will have taken place.

Personal Independence Payment (PIP)

PIP replaces the disability living allowance, it seems certain that fewer disabled people will qualify for PIP that currently qualify for DLA and those who do may qualify for a shorter period of time. It has two components: a daily living component and a mobility component. Both components are paid at 'standard' or 'enhanced' rates. The standard rate of the daily living component is payable to those whose *ability to carry daily living activities is limited by their physical or mental condition*. The enhanced rate is payable to those whose ability is severely limited. The standard rate of the mobility component is payable to those whose *ability to carry out mobility activities is limited by their physical or mental condition*. The enhanced rate is payable to those whose ability is severely limited. The definitions of 'daily living activities' and 'mobility activities' are left to regulations. A consultation process has now commenced on the detail.

Social Fund

The discretionary social fund (crisis and budgeting loans and community care grants) is abolished, as is the office of the social fund commissioner. Instead, budgeting loans for advance payments of benefit will be absorbed in UC as will sure start maternity grants and cold weather payments. Other Social Fund payments will be given to local authorities (and in Northern Ireland are likely to remain within DSD in an as yet undefined scheme). It is of note that the future of the social fund is currently being consulted on. It seems somewhat premature that such proposals have been included in the Bill before formal consultation has been completed.

ESA

The Bill introduces the arrangements to restrict contributory ESA to 12 months rather than being paid for an indefinite period as currently applies.

Conclusion

Northern Ireland presents particular circumstances with regards to welfare reform and arrangements to move people into employment. While benefit rates are universal across the UK there are significant differences between social security provisions which recognise the particular circumstances in Northern Ireland. The Law Centre believes it is appropriate to tailor a Northern Ireland approach to issues raised in Welfare Reform Bill 2011.