

Welfare Reform Bill 2nd Reading House of Lords
Joint Briefing – Northern Ireland Welfare Reform Group
July 2011

Northern Ireland Welfare Reform Group

The Welfare Reform Group is an umbrella grouping of organisations that campaign for positive changes to policy, service provision and legislation for those in receipt of social security while also providing advice and support to other advice giving organisations and disadvantaged persons in their capacity as individual members of the Group.

The Group supports an equality and rights-based approach to the provision of social security which demonstrates an understanding of and focus on the needs and choices of all in receipt of benefits.

This response has been endorsed by the following organisations:

Action for Children

Advice NI

Age NI

Council for the Homeless NI

Employers for Childcare

Gingerbread NI

Law Centre NI

Northern Ireland Association for the Care and Resettlement of Offenders

Northern Ireland Council for Voluntary Action

Save the Children

Women's Resource and Development Agency

Introduction

This briefing aims to provide an overview of some of the main aspects of the Welfare Reform Bill and its potential impact on Northern Ireland. 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 This is for two reasons: the high numbers of those in receipt of DLA, especially for mental health disorders, and the high number of families with children who will be adversely

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

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affected by cuts to social security.² The loss to Northern Ireland's benefit recipients will be more than £600 million per year by 2014-15.³

Parity

The principle of social security parity has dominated the policy rationale for the development of social security in Northern Ireland for over 80 years. Legislation does not require social security parity, but does signal the desirability of providing co-ordinated systems of social security. Social security remains, however, a transferred matter with separate primary and secondary legislation with its own separate administrative arrangements. Funding policy statements issued by the Treasury in 2000 have been taken to mean that if the Northern Ireland Assembly decided of its own volition to spend more on social security by adopting a more favourable or generous approach than in Britain then the additional expenditure would have to come from its own budget. On the other hand, if the Assembly decided to save money on social security by adopting a less favourable approach then any saving would return to the Treasury in Britain. This interpretation, however, has never been tested.

In practice, we are not seeking an alternative social security system for Northern Ireland. Instead, we seek an approach that will work taking account of Northern Ireland's particular circumstances and context. In Northern Ireland there is no Council Tax Benefit (CTB) with the rates rebate scheme retained. Savings are to be made by transferring CTB to local authorities. In Northern Ireland this will entail a reduction in social security from Annually Managed Expenditure (AME). We would welcome clarity about whether the money will be transferred as part of the Department of Employment and Learning and if so, will it be ring fenced to social security.

Impact on Particular Groups

- **Disabled people**

Clause 79

The Personal Independence Payment (PIP) replaces the disability living allowance (DLA), it seems certain that fewer disabled people will qualify for PIP than currently qualify for DLA and those who do may qualify for a shorter period of time. 21 percent of adults and 6 percent of children in Northern Ireland have a

² Ibid

³ Response to Northern Ireland's draft budget, Mike Tomlinson and Grace Kelly, Poverty and Social Exclusion Project 2011 p 1

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disability and the incidence is higher in Northern Ireland than in the rest of the UK.⁴ Approximately 185, 457 people are in receipt of DLA in Northern Ireland.⁵

PIP has two components: a daily living component and a mobility component. Both components are paid at 'standard' or 'enhanced' rates. The definitions of 'daily living activities' and 'mobility activities' are left to regulations.

The qualifying period for DLA is currently 3 months and we oppose the proposal to extend the qualifying period for PIP to 6 months. DLA and PIP's are intended to assist people with disabilities to meet additional costs faced as a result of disability we can see no justification for doubling the current qualifying period which may result in unnecessary financial strain being places on people with disabilities for a mere administrative reason.

Clause 10

The Bill also replaces the disability element of child tax credit with a 'disability addition' for children. While we welcome the change for severely disabled children to receive a slight increase from current rates the majority of children with disabilities could end up receiving less than half of their current rates under Universal Credit (UC).⁶

- **Lone Parents**

Clause 21

In recent years single parents have been transferred from income support to jobseeker's allowance when their youngest child is aged 12 (in 2008), aged 10 (2009) and aged 7 (2010). The Bill now proposes to reduce the point at which single parents will be required to seek work still further, when their youngest child reaches their fifth birthday. We are very concerned that compelling single parents to seek and take up any job, as soon as their child steps through the school gate, will actually limit their long-term career prospects and ability to increase their income through work; in particular because the opportunities for skills development once on JSA are quite restricted.

- **Children**

⁵ Available at http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-benefit-publications/dla.htm. Figures from November 2010

⁶ Joint Briefing: Report and Third Reading of the Welfare reform Bill June 2011. Available at http://www.cpag.org.uk/cro/Briefings/CPAG_JointWRBriefing_0611.pdf

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The Bill and policy behind it focus on getting people into work but it fails to address the extent and complexity of poverty. Child poverty stands at more than one in four children, with Northern Ireland the only part of the UK to have increased child poverty figures by 2 percent in 2009/10.⁷ Moreover 21 percent of children live in persistent child poverty⁸ which is more than double the GB rate, and severe child poverty stands at 40,000 or almost 10 per cent.⁹

The reforms are being proposed in a context of rising inflation, cuts to benefits, budgets and public sector work which are having a disproportionate impact on the poorest families. We are moving in the wrong direction with the poorest households and children being asked to pay the price of the economic crisis, as the increasing child poverty figures demonstrate.

The 'Monitoring Poverty and Social Exclusion 2010' report also observed that the number of low income children in working households increased.¹⁰ It is therefore important to recognize that work alone is not necessarily a direct route out of poverty.

The effect of this in Northern Ireland cannot be underestimated. Large numbers of families in workless and working poverty have young and/or large families. Two thirds of working-poor households are couple families and 60 percent of poor families have children.¹¹ Further, with high unemployment the current economic climate will make it difficult for parents to secure jobs that allow them to combine their work and family life. Finally, there is a potentially adverse impact on child poverty if lone parents are exposed to the risk of benefit sanctions.

- **Women**

Clause 97

The Bill proposes that in joint applications UC is to be made as a single payment to one nominated person. It is likely that the nominated person will be the man for most claiming families. If so this will severely limit the economic independence of women and could have a negative impact on children as money

⁷ Available at http://statistics.dwp.gov.uk/asd/hbai/hbai2010/pdf_files/full_hbai11.pdf

⁸ Save the Children commissioned the persistent child poverty research - 'Persistent Child Poverty in Northern Ireland' Marina Monteith, Katrina Lloyd and Patricia McKee, Feb 2008 Save the Children, ARK and ESCR

⁹ Severe Child Poverty in Northern Ireland - Save the Children briefing paper, Feb 2011

¹⁰ Anushree Parekh, Tom MacInnes and Peter Kenway., *Monitoring Poverty and Social Inclusion* . Joseph Rowntree Report December 2010

¹¹ IPPR 'In work poverty in the recession' Briefing Note , Glenn Gottfried and Kate Lawton September 2010 pg 1

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going into a family via the mother is more likely to be spent on the children. Payments of UC should be jointly made and the Bill should also allow for payments that are intended to benefit children to be referenced as such and paid to the main carer for those children, usually the mother.¹²

- **Older People**

More consideration to the impact of Welfare Reform changes on older people is required. While the government is pressing ahead with raising the state pension age, consultations on UC have not sufficiently addressed how it will work for older people. For example, will an older person who works part-time claim Pension Credit or UC? Likewise, what will be the benefit situation for an older person who has children – either of children of their own or grandchildren for whom they are responsible? The line between working age and old age is becoming more and more fluid and future welfare policy needs to be adaptive to this.

We are also anxious to ensure that the introduction of the PIP provides adequate support for disabled people aged over 50. We believe that the new claimant commitment under UC needs to take account of the needs of people aged over 50. With the extension of working lives, it is important that all the necessary support is provided to help older workers both remain in and re-enter employment.

We will be judging the success of the Bill by whether it delivers improved outcomes for people in later life – both those below the State Pension Credit age and those beyond State Pension Credit age. The Bill must provide everyone aged over 50 with the support they need to be independent.

UC does not apply to people who have reached the qualifying age for State Pension Credit (women's State Pension age). However, if someone over that age has a partner under State Pension Credit age then they will not be able to claim Pension Credit as the Government wants all people under State Pension Credit age to claim UC and be subject to work related conditions of entitlement.

We accept there is a case for treating everyone aged below women's State Pension age consistently, in terms of expectations with respect to work, but we would oppose any move to reduce the overall income of households where one member has reached the age of eligibility for pensioner benefits. We would like

¹² Women's Resource and Development Agency, The Northern Ireland Economy, Women on the Edge, July 2011

further information about the impact of the change for couples in this position and reassurances that they would not be financially worse off than a couple entitled to Pension Credit.

General Issues

- **Childcare**

Clause 12

There is a lack of detail on how childcare costs will be covered under UC though it is expected that childcare will be covered under ‘other particular needs or circumstances.’ It is of very great concern that the Welfare Reform Bill contains absolutely no details about how support for childcare costs will be included within UC, including the proportion of costs that will be covered, whether this will support those working under 16 hours as well as those working over this threshold, how childcare payments will be made, and to whom. Being able to find affordable, accessible childcare can be the deciding factor in whether going into (or remaining in) work is financially viable for many parents.

We understand the childcare arrangements will be structured as now, will extend to those working under 16 hours and therefore potentially cover more claimants. However, it appears the new arrangements will have to be introduced with no extra funding over and above that currently provided for childcare. The provision of affordable, accessible and good quality childcare in Northern Ireland lags far behind the rest of the UK. Unlike England, Scotland and Wales, there is no lead department responsible for childcare, no statutory duty on public authorities to ensure adequate childcare and no strategy agreed by the Executive.

Northern Ireland does not have sufficient childcare infrastructure in place to facilitate this envisaged large-scale move to work. Unlike in England and Wales, where the Child Care Act 2006 imposes a duty on local authorities to identify and meet childcare needs, Northern Ireland has no corresponding childcare legislation and there is no statutory obligation on local or public authorities to provide high quality and affordable childcare. The barrier this place on parents’ ability to enter the workplace cannot be underestimated. We believe it is necessary to strike a balance between promoting employment and supporting family life. The UC will fail to get the targeted people into work if these barriers to the workplace are not effectively broken down.

Gingerbread NI estimated that 30,000 extra childcare places would have to be provided in Northern Ireland to have 70% of lone parents in employment as

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targeted in the Welfare Reform Act.¹³ Between 2002 and 2009 the overall number of daycare places in Northern Ireland fell by 6%.¹⁴ The decrease of the childcare element of the Working Tax Credit from 80% to 70% from April 2011 will have an adverse impact on working families.

- **Passport benefits**

The government has not decided how to deal with passport benefits within UC. The issue is particularly important as the outcome, like childcare arrangements, will have implications for work incentives and simplicity. It is also important in terms of child poverty as passport benefits include free school meals, milk and vitamins etc which have both a child development and an income support role. The Social Security Advisory Committee has been asked to produce a paper on the options for passport benefits with an interim report due in September 2011 and final report in January 2012. This is an important issue which again may have an impact on work incentives. It is worrying that the Bill is being considered before much of the crucial detail has been finalised.

- **Sanctions**

Clause 26 & 27

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 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.

There is a potential adverse impact on child poverty if lone parents are exposed to the risk of benefit sanctions. Implementing UC in Northern Ireland could have a potential negative impact on family life, an adverse impact on women in particular and children.

¹³ Committee for the Office of First Minister and Deputy First Minister, Final Report on the Committee's Inquiry into Child Poverty in Northern Ireland, Report 08/07/08R June 2008

¹⁴ Department for Trade and Investment *Women in Northern Ireland* Labour Market Report, September 2010

Any prolonged sanction is likely to cause serious hardship with negative outcomes for children. Where sanctions do apply it is vital that claimants are not sanctioned for failing to take up employment that would reduce their family income, nor should claimants be required to work where their parental responsibilities require them to put the welfare of their children first. Robust safeguards must be in place to protect vulnerable claimants from hardship caused by inappropriate sanctions.

- **Hardship Payments**

Clause 28

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 signalled 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. The overwhelming impact will be on large families living in high rent areas. Housing benefit charges will already make life significantly harder for such households. We see no justification for a further attack on such households income.

- **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

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October 2013 by which time many of the other social security cuts will have taken place.

- **Social Fund**

Clause 69

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.

- **Regulations Scrutiny**

Much of the detail which affects key aims including ensuring simplicity and improving work incentives is left to regulations. These regulations will not be subject to effective scrutiny by either Parliament or the Social Security Advisory Committee (who cannot formally scrutinize regulations laid within six months of the passing of primary legislation). This is of concern given the important of the regulations to the working of UC and other parts of the Bill.

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 Northern Ireland Welfare Reform Group believes it is appropriate to tailor a Northern Ireland approach to issues raised in Welfare Reform Bill 2011.

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