Welfare Reform Impacts Briefing
Evidence to the Parliamentary Health and Sport Committee, 15th November 2011

The Poverty Alliance is a national membership organisation with over 150 members. The primary aim of the Poverty Alliance is to tackle poverty. We seek to do this by empowering people living in poverty to combat poverty on their own behalf and to build the capacity of agencies working with them, to do this. We work to foster public debate about poverty and social exclusion and support the development of social policies that promote social justice and combat poverty in Scotland.

A central part of our approach to tackling to poverty is the need to engage people experiencing poverty in finding solutions. This evidence draws on the views of people in poverty that have been gathered by the Alliance over a number of years.

We have extensive experience in addressing issues related to poverty and social exclusion, and in working alongside grassroots community groups, individuals facing poverty, voluntary organisations, academics as well as statutory organisations, policy makers and politicians.

The Poverty Alliance works to combat poverty and social exclusion for all. However given the lack of attention given to them in anti poverty policy making we highlight issues faced by single adults. In addition, our recent engagement with community activists and individuals living in poverty has highlighted the impact of welfare reforms on disabled people and those in ill health.

The Poverty Alliance plays a leading role in the Scottish Campaign for Welfare Reform (SCOWR). SCOWR’s Manifesto sets out five key principles for welfare reform agreed by our diverse membership. These are that our welfare system should be adequate to protect people from poverty, should respect human rights and treat people with dignity, should be simplified, should enable everyone to participate fully in society and should be suitable for Scotland - taking into account of the different legislative and service infrastructure in place in Scotland.
Introduction
We are very pleased that the Scottish Parliament is taking this opportunity to scrutinise the impact of the welfare reform in Scotland before voting on the forthcoming Legislative Consent Motion and welcome this opportunity to contribute to this scrutiny along with many of our colleagues in SCOWR.

This briefing highlights some key impact of welfare reform in Scotland – both contained within the Welfare Reform Bill itself and the unprecedented £18billion worth of cuts to the welfare budget\(^1\) - which will be rolled up into the structure of the new benefits system. In considering the Welfare Reform Bill there are two distinct aspects that we would highlight to the Committee; the general impact of the reforms which will apply across the whole of the UK and the specific provisions which will devolve parts of the welfare benefit system to Scotland.

The Welfare Reform Bill
The UK Welfare Reform Bill, currently before the House of Lords, outlines proposals to combine most means-tested benefits and tax credits into a new universal credit (UC). The detail is left to regulations still to be drafted – including, crucially, the amount of benefit, how childcare costs are to be included and the rate at which benefit will be withdrawn as earnings increase. However the bill does include significant increases in conditions attached to entitlement and more draconian sanctions for those who fail to meet those conditions.

The Bill also replaces disability living allowance (DLA) with personal independence payments (PIP), in the context of making a 20% cut in expenditure. Other provisions in the Bill include; time limiting entitlement to contributory employment and support allowance, introducing a benefits cap; breaking the link between maximum housing benefit payable and the actual level of local rents and a restriction of housing benefit based on the numbers of rooms a claimant is deemed to need.

Whilst we have welcomed some of the stated intentions behind universal credit - the intention to simplify the system and allow people to keep more of their earnings as they move into work and/or increase their hours of work - these principles are undermined by what is contained in the Bill and the wider £18 billion worth of cuts to the welfare budget.

In and out of work poverty
With basic benefit rates are already so low that many struggle to put food on the table and pay their bills, it is clear that the £18billion worth of cuts will hit many of the poorest people in Scotland hardest. In this situation there is an urgent need to increase benefit levels. We believe rates should be increased to a level where no one is left in poverty and all have sufficient income to lead a dignified life and should match the

\(^1\) Detailed in the June Emergency Budget and Consolidated Spending Review 2010.
Minimum Income Standard, currently calculated by the Joseph Rowntree Foundation and based on what members of the public think is enough money to live on.

UC currently does nothing to bridge the gap between benefit rates and Minimum Income Standards, whilst the £2.1 billion cut in disability benefits associated with the introduction of personal independence payment will increase poverty for disabled adults.

The changes in the measure of inflation used to up rate benefits from the Retail Prices index to the Consumer Prices Index is one of the most damaging aspects of the current cuts, slashing the value of already meager benefits for all and accounting for around £6 billion of the £18 billion worth of cuts as whole.

**Universal credit and work incentives**

Iain Duncan Smith MP has claimed that UC will ensure that claimants will always be better off in work. It is suggested that a single taper could be set so that claimants will not lose more than 65p for every extra pound earned (an improvement for some who currently have more than 95p in every pound earned clawed back through lost benefits).

In addition, within universal credit there is provision for claimants to keep more of their earnings before these taper rates kick in. This is a welcome idea which, if the rates are set high enough, will ease financial barriers to moving into part time work.

However, the problem with the taper calculation is that it does not compare like with like. At the moment, a persons benefit entitlement can include up to 100% of their council tax and housing costs (through council tax benefit (CTB) and housing benefit (HB) as well help towards their childcare costs (in with any claim for working tax credit). Under the Bill CTB will be abolished (and devolved to Scotland - see below), it remains unclear exactly home much childcare costs will be met and there will no longer be a link between a persons actual rent and any benefit received to meet that rent (housing benefit will be subsumed within UC).

This issue seriously undermines the claim that claimants will be better off in work. But judging the proposal by the UK government’s own objectives is too narrow an approach in any case. Even if these claims held up to scrutiny, the focus on individual behavior at the expense of tackling the wider structural barriers to employment is wrong at the best of times and in the current economic crisis, when the jobs are not there, simply pointless. Somewhat unsurprisingly (given the below poverty rates of benefit entitlement), evidence shows that unemployment is a critical risk factor for being in poverty, yet growing levels of “in work” poverty mean that for many, moving into work still leaves them trapped in poverty.
Housing Costs
The proposal to break the link between actual housing costs and the levels of benefit available to cover those costs would lead to sharp increases in on levels of poverty amongst those in and out of work. Other restrictions on entitlement for single adults up to the age of 35 (rather than 25 at present) to the cost of a single room in shared accommodation would increase poverty and homelessness for younger adults. The proposal to introduce cuts to the amount of benefit that working age tenants can receive if they are deemed to have a spare bedroom in their council or housing association home is another example of where the implications of the Bill for devolved policy have not been taken into account. The proposals will have significant impact on devolved housing policy (given the particular shortage of smaller housing). Taken together these and a range of other cuts to are likely to have very serious impact on tenants causing rising levels of poverty, increased rent arrears and homelessness, cutting across the Scottish Governments housing and homeless targets.

Conditionality and sanctions
Claimants are already subject to extensive conditions attached to their benefit claims and face significant financial penalties if they fail to meet them. Yet the Bill extends this regime even further with the maximum period during which claimants can be left without benefit increased to three years. The increasing use of sanctions for longer period of time is likely to have a knock on effect on Local Authorities as individuals and families are forced to turn to them for financial assistance in the absence of any other support.

Not only is the level of sanctions intensified, the groups of people who can be subject to sanctions under the Bill has widened. Provisions mean that many who are in “in work poverty” and claiming housing benefit without any conditions about the kind of work they do, could be required to show that they are looking for more hours or better paid work in order to get help with housing costs. The widening of the net could also impact on local and national employability strategy drawing in new groups in need of employability services.

There is a lack of evidence to support the use of sanctions in motivating people into work. It also cuts across the Scottish Government approach to employability which has focused on supporting people into work, rather than compelling them. The outcomes for Working for Families show that a supportive and collaborative approach focused on the individual assets can empower to people to move into, or stay in, work. Increasing conditions and threats of sanctions treat claimants in a punitive and undignified manner and are not an effective way of supporting more people into work.

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At the same time little attention is paid to the structural barriers (e.g. discrimination, employer inflexibility, lack of childcare, rising unemployment and job insecurity) that impede progress into, and retention in, labour markets. In fact, evidence shows that it often the poorest and those who face the most challenging barriers who are most likely to suffer sanctions.

**Childcare**

We are concerned that parents face increased risk of sanction if they are unable to work or participate in work related activity as a result of the lack of suitable childcare even though childcare provision, and the statutory framework underpinning that provision, is devolved and varies across the UK.

**Rural/disability issues**

We are concerned that disabled people and those living with ill health face increased risk of sanctions if they are unable to work or participate in work related activity as a result of the lack of appropriate support to make either work or other mandatory activities accessible. The lack of accessible and affordable transport, especially in rural areas, means that disabled people in Scotland are disproportionately disadvantaged compared to England in this respect.

**“Fraud” and stigma**

The use of draconian sanctions is often justified by the misleading UK Government focus on fraud amongst benefit claimants. Government sources continue to conflate money lost through fraud with administrative error. Yet the vast majority of sums lost are in fact through government error rather than individual fraud. This approach is a major contributing factor in the increasing stigmatization of and rising prejudices against claimants - something which is causing increasing social exclusion and undermining the health of many people living in poverty.

**DLA and PIP**

Official figures put the proportion of disabled people living in poverty at 23.1% (as opposed to 17.9% of the general population) and when the additional costs incurred as a result of living with a disability are factored in, estimates rise to 40% - 60%. DLA is critical in providing some compensation for the additional costs which disabled people face.

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3 This issue was discussed in depth at the Scottish Assembly for Tackling Poverty 2011. See Sarah Welford (2011) Aspirations and Inspirations: meeting the challenge of poverty in difficult times, Poverty Alliance: Glasgow


5 Ibid.
The UK Government intends to cut expenditure on disability benefits by the £2.1 billion around 20% of current expenditure. A cut of this magnitude is likely to result in hundreds of thousands of disabled people losing entitlement.

The proposed assessments for PIP will be similar to that the Work Capability Assessment (WCA) (conducted by the private multinational ATOS) which those making a claim for Employment and Support Allowance (ESA) currently undergo. These assessments have been widely criticised by disabled people, carers and those who represent and support them. A number of reports describe how claimants are treated with a lack of dignity and respect, and very many refused the support they need, including the independent Harrington Review.  

The new PIP assessment includes a number of measures which will restrict eligibility including a new focus on those activities that “are most essential for everyday life” so that those who are considered to face less serious barriers, would no longer qualify.

The UN Convention on the Rights of Persons with Disabilities sets out the rights of disabled people to engage in all areas of life, including mobility, health, education, work, recreation, cultural activities and equality before the law. In other words, it sets out the right to live a full and independent life as possible, not just to be able to engage in those activities “most essential for daily life”. Disability benefit entitlement should be based on respect for disabled people’s right to live a full and independent life and so should be available to all disabled people, set at a rate, which is appropriate to the barriers they face.

If disabled people are forced into greater poverty and social exclusion as a result of benefit cuts this will inevitably lead to greater demands on spending elsewhere, including social care and other local authority services. This extra burden will be felt disproportionately in Scotland where many local authorities take disability benefits into account when they are calculating care charges.

Of particular concern is the cumulative impact of welfare reform changes as whole on disabled people. Those who will lose eligibility for DLA/PIP are also those likely to be disadvantaged as a result of changes to ESA. This will inevitably result in deterioration in health and people’s ability to live independently. Not only is this morally wrong, as the Dilnot Commission highlights, meeting lower care needs is essential to ensure prevention of higher or crisis level needs.

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8 Dilnot Commission (July 2011) Fairer Care Funding, 21
DLA also acts as a passport to carers allowance which is of vital importance to the many carers - enabling them to care for disabled relatives and friends. Loss of entitlement to DLA/PIP will result in carers (the majority whom are women) losing carers allowance. Whilst carers may then be forced to seek paid employment, the need for care will not have gone away – meaning increased demand for care services.

The provisions to abolish DLA and introduce PIP cut across the Scottish Government preventative spend agenda, their focus on Self Directed Support and the right to independent living for disabled people and will increase demand on care provision.

Social Fund Devolution
The Bill also provides for the devolution of parts of the Social Fund - community care grant and crisis loans. Devolution offers the Scottish Government the opportunity to make a real impact on the lives of those in poverty, support the preventative spend agenda and improve on the shortcomings of the current system.

Community care grants currently provide help with setting up home when moving out of institutions such as a care home, hospital or prison. Inadequate grant or delays in processing mean that people often have to remain in care, hospitals etc. simply because they lack the resources to furnish their home. Therefore, adequate and timely grants not only support people in poverty but also act as a critical element of any preventative spend strategy.

Crisis loans currently include provision to meet the need for the need for urgent help with day to day expenses. Without access to sufficient loans many are forced to pay poverty premium rates on loans from high street lenders or even worse rates to illegal doorstep lenders. They are critical support without which many would plunged into severe poverty and play a key role in any financial inclusion strategy.

Many claims for crisis loans are made when individuals and families are left without money as a result of administratve delay and mistakes made in processing their benefit claims. Within the Bill there is provision for “payments on account” to be made where such delays occur. It is suggested therefore that crisis loans to pay for food and other essentials whilst people await benefit payments will no longer be necessary. However, provision for similar payment on account already exist within current legislation and yet they are rarely used so there is a risk that people will still need to claim crisis loans (or grants) to meet day to day expenses. Given that under universal credit most benefits are to be rolled into one payment the potential for many more individuals and families to be left without any money at all rises dramatically. Add to this the potential for large numbers of delays caused by the introduction of the new system and it easy to see how demand could run far in excess of current levels.
To meet these challenges and improve on current provision the Scottish Government will need to ensure that both adequate funding and an extremely robust system is put in place to support the new Scottish scheme.

The Poverty Alliance is calling for a national scheme which ensures equality of access and entitlement across Scotland - so that people in poverty can access help according to their needs, regardless of where they live. To ensure that the new scheme meets the needs of people in poverty standards for eligibility and procedures for applications and decision making must be set out nationally so entitlement is based on claimant needs. Funding must be adequate to meet individual’s needs and the processing of applications must be timely.

A right of appeal to an independent body constituted along the lines of the Social Fund Inspector must also be available to all applicants in the interests of maintaining justice, accountability and fairness. To support this it is critical that funding for independent advice agencies is supported to enable people to exercise these rights.

A national scheme does not necessarily mean inaccessibility or remoteness. A national scheme can be administered locally (including processing of application and decision making) so that individuals can make face to face applications where appropriate and enquiries about the progress of applications. Local delivery should include mechanisms to enable accountability to local service users and focus on treating claimants with dignity and respect. Staff need to adequate training (including in their responsibilities under equalities legislation), sufficient resources to make accurate, fast decisions. Targets should be based on the quality of service delivery to claimants and in particular the accuracy of decision making (bearing in mind the number of successful appeals).

To ensure that delivery is compliant with equalities legislation, and that the service is accessible to all, a variety of different delivery methods need be made available. For example, a telephone and or online application will be easy for some but create barriers for others. Service providers should work in partnership with range of local agencies to ensure that access to and support with applications is as widely available as possible.

A national scheme would also be the most cost effective approach and would be best delivered by the public sector that has both the capacity and coverage to deliver nationally. When less critical welfare services (such as welfare to work programme) have been have been contracted out, evidence shows that in terms of efficiency, the public sector (in that case Jobcentre Plus) has been more cost effective. Furthermore, when contractors have faced financial difficulties in delivering these services the UK government has been forced to bail them out. The need for capacity, national coverage, financial efficiency and stability are all the more important considering how much more critical a service the Social Fund is. Social Fund payments can be a critical safely net and if that net fails it would unfortunately, be local authorities who would need to pick up the pieces.
Council Tax Devolution
The Welfare Reform Bill proposes to abolish and devolve funding for council tax benefit (CTB) to Scotland - along with a cut in funding of 10%. We are calling on Westminster to ensure that CTB remains part of universal credit since (as described above) if it is abolished this risks undermining the UK governments claims to ensure that people will always be better off in work.

However, if CTB is devolved, we are calling on the Scottish Government to put in place a national scheme which ensures that equality of access and entitlement to the replacement is guaranteed nationally – so that we do not end up with a 'postcode lottery' where levels of payment and access are different from place to place.

We note that the legislative consent memorandum states that “The 10% reduction in spending will reduce household incomes for over half a million people on the lowest incomes in Scotland. This potentially undermines the Scottish Government's actions to protect household incomes”.

Whilst we support the view that any reduction in funding from Westminster for support with council tax costs should be robustly challenged, we do not agree that any such cut should automatically be passed on to the poorest in Scotland. CTB is to be abolished entirely and funding devolved to Scotland to do with as the Parliament decides. There are no restrictions on how much support must be made available. That will be a matter for the Scottish Parliament to decide in the context of it wider budgetary decisions and the implementation of its anti poverty policy.

With basic benefit rates so low any loss of help with council tax bills would have a devastating impact on those living in poverty. The replacement scheme therefore should guarantee that claimants do not lose out financially, that current levels of entitlement are maintained and, as far as possible, enhanced in order to mitigate the wider impact of the welfare cuts on the poorest.

Passported Benefits
The introduction of Universal Credit will mean that the Scottish Government must set new criteria for a wide range of passported “benefits” like free school meals which are currently triggered by many benefits which will no longer exist. This provides an opportunity for Scottish Government to improve protection offered by passported benefits, thereby supporting its objectives set out in Achieving Our Potential and the Child Poverty Strategy.

The Legislative Consent Memorandum claims that because UC is paid to those in work it is “not, in itself, reliable proof of sufficiently low income” for establishing entitlement to passported benefits. We believe that the best way to support individuals and families in poverty is to make any entitlement to UC the basis for passporting onto additional
benefits. UC will only be available to those on the very lowest incomes, unlike tax credits both income and savings will means tested and as the growing numbers of people in “in work” poverty show, being in work is no guarantee of being above the poverty line. No only would this be the best option in terms of outcomes it would also be much less complex (boosting take up) and more cost effective to administrate.

**Anti Poverty Strategy**

Given the very negative impacts of the proposed reform there is an urgent need to prioritise anti poverty policy and place it at the centre of government policy. Much can be done, for example, to mitigate the impacts of some of the cuts through protecting and enhancing the provision of services. Services such as high quality, affordable and accessible childcare, and care and support for disabled people are just two examples of services which make a real difference. The provision of independent advice is another example, and one which will be especially critical during the forthcoming period.

The fact that the Scottish Government itself is facing severe financial challenges makes a focus on anti poverty policy all the more imperative since without that focus there is a risk the impact of welfare cuts will be compounded by cuts in local services. In these circumstances there is a need to put poverty sensitive decision-making at the heart of all financial decision making processes so that the impact on those living in poverty becomes a central priority. Considering the impact of the changes on Scotland as a result of the welfare changes discussed here, as well as the faltering economic ‘recovery’, we believe that the Scottish Government must begin a process of reviewing its approach to tackling poverty as outlined in *Achieving Our Potential*. Updating this framework would ensure that the Scottish Government is providing leadership in the fight against poverty at this very difficult time.

**Legislative Consent Memorandum**

The recently published Legislative Consent Memorandum sets out some of the key issues for consideration by the Scottish Parliament in relation to the forthcoming Legislative Consent Motion.

We have highlighted where the Welfare Reform Bill cuts across a whole raft of devolved policy areas. We therefore support the call for a requirement in the Bill for the UK government to seek the consent of Scottish ministers to the making of UK subordinate legislation applying in Scotland. The need for such a provision is made all the more pressing by the fact that the Bill itself is extremely skeletal - so much so that it is difficult, even at this late stage, to assess what the detailed impact of the Bill will be in practice.

As described above we are also very concerned about the potential impact of the various changes to help with housing costs and the abolition of DLA and its replacement with PIP. We therefore welcome the fact that the Scottish Government has highlighted these issues. In relation to housing, in addition to the points noted in the
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memorandum, we would also highlight the hugely negative impact of the breaking the link between housing costs and entitlement to benefit.

Another area which should be highlighted is adequacy in general. Unless action is taken to raise benefit levels across the board, increasing levels of poverty for all will undermine all the various devolved policy areas which we have discussed in this briefing.

We also want to highlight the impact of increasing conditionality and sanctions on all claimants, including those living with ill health and disability and those with caring responsibilities. There is an urgent need to mitigate the impact of such sanctions to combat increasing poverty and social exclusion, ill health and the infringement of human rights.

**Legislative Consent Motion**

At this point in time the Legislative Consent Motion has not yet been published. In addition, it remains unclear what the wider implications of a no vote might be. Given this uncertainty the Scottish Parliament must ensure that whatever position they take, people living in poverty in Scotland will not be adversely affected and the welfare of those in poverty is their foremost consideration.

However, whilst we may not be clear about the impact of a no vote on the LCM, we are clear that the implications of the Bill, as it stands, will have a very negative impact on individuals, families and communities living in poverty across Scotland. On that basis we support the Scottish Parliaments current position with regard to the LCM.

Furthermore, (bearing in mind Parliament’s responsibility to ensure that individuals in poverty are protected), once Parliament has considered the evidence before it, if it is then able to use the forthcoming vote on the LCM as a lever to mitigate the impact of the Welfare Reform Bill in Scotland (for example by gaining amendments to the Bill which would support this) then we would welcome such a move.

**Conclusions**

The £18 billion worth of welfare benefit cuts due over the next three years in conjunction with the proposals in the Welfare Reform Bill will have a hugely negative impact on the poorest communities, families and individuals across Scotland. We urge the Scottish Parliament therefore to do everything in its power to minimise these impacts as far as possible.

We believe that welfare reform in Scotland should be suitable for Scotland. Yet many of these reforms cut across devolved responsibilities and the very different policy and legislative frameworks in Scotland. There is therefore a need for a strong voice for Scotland in Westminster to ensure that arrangements are made so that welfare reform does take account of these differences.
At the same time there is a great deal that can be done within the current powers that we have to mitigate some of the worst impacts of these reforms. The devolution of part of the welfare benefit system to Scotland gives the Scottish Parliament control over important levers which can be used to tackle poverty in Scotland for the first time. Restructuring entitlement to passported benefits is another key opportunity. Beyond this, there is now greater need to focus on anti poverty measures than ever, to ensure that the Scottish government does everything it can within its devolved powers to mitigate the worst of these impacts and combat poverty in Scotland.

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