

The Coalition Government has targeted the social security budget with unprecedented cuts in expenditure totalling £22 billion a year by 2014-15. Major changes have been implemented under the Welfare Reform Act 2012, which also set out the future restructure of the whole working age benefits system. The 2012 Budget raised the spectre of a further £10 billion of cuts in future. This is a summary of the reforms, and the impact on families.

### **The following cuts have taken effect:**

#### Children and families

- Child Trust Fund scrapped. Introduced in 2004 to encourage saving, accessible at age 18, payable to all families but more to poorest and disabled children.
- Health in Pregnancy Grant scrapped. A £190 grant introduced in 2009 for all pregnant women on accessing health and dietary advice.
- Sure Start Maternity Grant limited to first child only. A £500 grant to help with maternity expenses for low income families, now generally not payable if there is another child under 16 in the household.
- Child benefit rates frozen for 2011/12, 2012/13 and 2013/14, affecting all families, from low to high incomes.
- Child benefit recovered on a sliding scale via income tax from people earning between £50,000 and £60,000 (and in full if earning over £60,000). This causes complexity and confusion, especially when income fluctuates or couples separate
- Lone parents must sign on for jobseeker's allowance when youngest child reaches the age of 5. They must be available for and actively seeking work while their child is at school, or may face a sanction.
- Baby element of child tax credit removed. This was an extra £545 in the first year, payable to low and middle income families.
- Childcare costs covered by working tax credit cut from 80 per cent to 70 per cent. Working parents may need to pay up to £1,560 a year extra for childcare.
- Tax credits withdrawn from 'middle income' families. A family with one child may lose tax credits on an income of around £26,000, but there is no income limit and tax credits are still payable at higher incomes if there are additional children, disabilities or childcare costs.
- Most couples with children now required to work at least 24 hours a week (previously 16) to qualify for working tax credit, meaning some families lost up to £3,870 a year if unable to find additional hours.
- Backdating of tax credits cut from 3 months to 1 month. New parents miss out on payments if do not claim within 31 days of birth.

#### Disabled People

- People on old incapacity benefits reassessed for **employment and support allowance** (ESA), introduced in 2008. The test is designed to reduce the number of people who qualify, and about a third of claimants are found fit for work.<sup>1</sup> An independent review commissioned by the DWP found the test was 'impersonal and mechanistic' with 'poor decision making' and a high rate of appeals.<sup>2</sup>

- Contributory employment and support allowance (ESA) time limited to one year for most claimants. This particularly affects couples where one is working full-time, so the sick or disabled person loses this independent income which is based on contributions paid when in work, and is reliant on their partner.
- **Personal independence payment** starts to replace disability living allowance (DLA), with new assessment for all working age claimants, aimed at reducing number of claimants by half a million people.<sup>3</sup>

### Housing

- Homeowners who claim benefits due to unemployment or illness are entitled to help with the interest on mortgages, but amount cut from 6.08 per cent to 3.63 per cent, resulting in a shortfall for most, putting them at greater risk of repossession.
- Tenants claiming housing benefit (HB) in the private sector are subject to caps and cuts, meaning some areas of central London, and 7 out of 10 private tenancies in any area, are unaffordable for people on low incomes, whether in or out of work.
- Most single people under 35 are eligible for the HB rate for one room in shared private rented accommodation only (previously this was the rule for under 25s). People with one-bedroom flats, including separated parents with minority care of children, see a substantial cut or have to move to a shared property which may not be suitable.
- The amount deducted from HB for certain other adults in the property increased by 54%, meaning, for example, a son or daughter aged 18 or over and in work living in the family home must contribute between £13.60 and £87.75 a week, depending on income.
- **Bedroom tax:** Housing benefit cut for working age tenants of social landlords if the number of bedrooms exceeds their assessed needs. A couple with two children aged under 10 in a three bedroom property see a cut of 14%.

### Other changes

- Length and level of **sanctions** increased for claimants who fail to comply with requirements on preparing or looking for work.
- **Uprating cap:** Most benefits and tax credits increased by 1%, which is below projected inflation, amounting to a 4% cut in real terms. This includes basic amounts for adults and children, but does not apply to specific disability and carer benefits and additions. This cut to be locked in by legislation for 2014/15 and 2015/16.
- **Benefit cap:** £500 per week for couple/lone parent; £350 a week for single people (does not apply to people on DLA, working tax credit and war pensions). An unemployed, able-bodied family with six children will not get any help with rent due to the benefit cap.<sup>4</sup>
- **Council tax benefit:** localised and reduced by 10 per cent (in Scotland, this cut met by Scottish Government and local authorities)
- **Community care grants and crisis loans:** abolished and replaced by local schemes controlled by local authorities, Scottish and Welsh Governments

- **Job grant, in-work credit and return to work credit** phased out – these work incentive payments were particularly valuable to lone parents and disabled people starting work.

From October 2013

- **Universal credit** starts to replace income-based benefits and tax credits for new working age claimants<sup>5</sup>
  - payable in or out of work
  - single withdrawal rate of 65 per cent
  - childcare support available for any hours worked
  - lower amounts for most disabled adults and children
  - claim and administration online; 'digital by default'
  - increased conditionality and sanctions
  - one monthly payment to claimant's account, including amounts for rent
  - additional amount payable so 'no-one will be worse off' when moving from old benefits to universal credit.
  - transfer from old system to universal credit expected to be completed by the end of 2017.

## More information

<http://www.cpag.org.uk/welfare-reform>

<http://www.cpag.org.uk/bookshop/uc>

## Campaigns

Child Poverty Action Group

<http://www.cpag.org.uk/campaigns/campaignhomepage.htm>

End Child Poverty

<http://www.endchildpoverty.org.uk/what-you-can-do>

Hardest Hit

<http://www.hardesthit.org.uk/>

TUC

<http://falseeconomy.org.uk/>

Scottish TUC There is a Better Way campaign

<http://thereisabetterway.org/>

Scottish Campaign on Welfare Reform (SCoWR)

[http://www.cpag.org.uk/scotland/welfare\\_reform\\_scot.htm](http://www.cpag.org.uk/scotland/welfare_reform_scot.htm)

Scottish Federation of Housing Associations

<http://www.sfha.co.uk/sfha/current-campaigns/housing-benefit/menu-id-90.html>

Child Poverty Action Group is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339). Company limited by guarantee registered in England (registration number 1993854). Registered office: 94 White Lion Street, London N1 9PF.  
For more information go to **www.cpag.org.uk**

---

<sup>1</sup> [http://research.dwp.gov.uk/asd/workingage/esa\\_ibr/esa\\_ibr\\_nov12.pdf](http://research.dwp.gov.uk/asd/workingage/esa_ibr/esa_ibr_nov12.pdf)

<sup>2</sup> An Independent Review of the Work Capability Assessment, Professor Malcolm Harrington, November 2010  
<http://www.dwp.gov.uk/docs/wca-review-2010.pdf>

<sup>3</sup> DLA reform: DWP Impact Assessment May 2012

<sup>4</sup> Jobseeker's allowance for a couple £112.55 + child benefit £20.30 for eldest child + £13.40 other children + child tax credit £10.50 family element + £52.22 per child (2013/14 weekly rates)

<sup>5</sup> Staying: child benefit, contributory benefits, industrial injuries, employer-paid benefits, maternity allowance and bereavement benefits