POLICY BRIEFING

Welfare Reform Update

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Summary

The Welfare Reform Act received Royal Assent on 8 March 2012. Since then, more detailed regulations have appeared which flesh some of the details of its main provisions in addition to a wealth of analyses that attempt to predict its impacts.

This briefing summarises main developments since the Act received Royal Assent, covering the period between March 2012, the announcements in the Autumn Statement made on 5 December 2012, and the publication of the final Universal Credit regulations on 10 December 2012. It also draws on comment made before, during, and after the Act's preparation. In particular, it examines developments and likely impacts with regard to:

- housing
- disability and work incapacity
- poverty
- welfare-to-work.
- the implementation programme

The reforms, their implementation, and likely impacts are complex, and some detail has been omitted in this briefing. As more information becomes available, some of the topics dealt with here will be covered in more depth.

Not all of the documents used to compile this briefing are referenced. Nonetheless, there are links to some of the more recently-produced documents at the end of this briefing.

An important new development is the localisation of Council Tax Benefit, which will begin operating in 2013. A separate briefing has been prepared on this, and little more is said about it here, other than it will henceforth operate outside the Universal Credit scheme, complicating what was meant to be a simplified system.

The briefing will be of interest to members and officers in all councils with an interest in welfare reform, housing and council tax benefit, local government finance and corporate policy teams.

Briefing in full

Background

Despite the frequent claims that current reforms represent the most radical change to the UK's system of social security since the foundation of the welfare state after the Second World War, they mostly continue along a trajectory established by the last government (which also tended to announce each new reform with a claim to radicalism surpassing Beveridge). However, the urgent requirements of deficit reduction have undoubtedly coloured the character of the current reforms, contributing to a programme of *retrenchment* as distinct from a programme of *re-alignment*. There is a remarkable degree of consensus about the necessity of the latter, given the degree to which contemporary social and economic realities have shifted from the conditions that informed Beveridge's original conception.

Current controversies focus mostly on what appears to be welfare retrenchment.

The main provisions of the Act have been dealt with in earlier LGiU briefings (see here). For convenience, the main elements of the reform package, not all of which are contained in the 2012 Act, are summarised briefly in this section.

There are four key features of the current reform package, which can be summarised as follows:

- **First**, the current mix of out of work and in work benefits will be replaced by a single Universal Credit; this is meant to both improve intelligibility (simplification), whilst the rate at which Universal Credit is withdrawn as income increases is meant to improve work incentives; this part of the package is the main focus of the 2012 Act.

- **Second**, and best illustrating the continuity of current reforms with recent history, there is in progress a rapid transferral of claimants from benefits related to disability or illness through a re-assessment of work capability; broadly, this is known as transferring benefits claims from an inactive regime (where there is little or no conditions regarding availability for work or job-seeking activity) to an active regime; conditionality has also been extended to lone parents with eldest children over the age of 5.

- **Third**, the Coalition has introduced a single welfare to work programme for the most disadvantaged (the Work Programme, or WP), which will be mandatory for the long-term unemployed and for some other types of claimants; the WP is probably the largest single back-to-work programme ever seen in the UK, but its most distinctive feature is its reliance on payment by results, with contractors absorbing risk to an unprecedented degree.

- **Fourth**, and illustrating the retrenchment part of the package, there will be a cap on the total amount of benefit that working age households can receive; retrenchment is also evident in the re-indexing of the value of benefits so that they will henceforth increase in value at a lower rate.

Some of the most far-reaching changes were announced in the 2010 and 2011 Budgets, and more recently in the 2012 Autumn Statement.

The Emergency Budget of 2010 announced plans to cut £11bn from the welfare benefits bill. The largest saving was anticipated to be made through the re-indexing of working age benefits from the RPI to the CPI, which was forecast to save just over £5.8bn by 2014/2015. Other large savings were predicted to be made through changes to Disability Living Allowance (from 2013), freezes in Child Benefit, restrictions on Working Tax Credit (WTC), and limitations and restrictions to Housing Benefit.

Another large saving of £7bn was anticipated in CSR 2010. The most important announcement was of the 'capping' of benefits from 2013 to the equivalent of around £500 for a couple or lone parent household and £350 for a single person household. The benchmark figure used to justify these figures was the amount considered to be the average household income of a working household (£26,000), above which it was deemed unfair a workless household should receive through benefits.

The Joint Committee on Human Rights of the House of Lords and House of Commons, in its 2011 report on the Welfare Reform Bill, made a number of extremely critical comments in relation to the cap. They asked the Government to compare like with like and calculate the level of the cap based on earnings of families with children, rather than all households. They also refer to the disproportionate impact on lone parents.

It is anticipated that the caps will affect large families and people living in expensive housing most severely. In its latest impact assessment, the DWP estimates that 56,000 households will have their benefits reduced by the policy in 2013-14, losing on average around £93 per week. There will be exemptions, including those claiming WTC.

However, more restrictions to WTC were announced (including to the childcare element) in CSR 2010 along with eligibility reductions in Child Benefit. Also announced were more changes to Housing Benefit and the localisation of Council Tax Benefit (CTB), together with a reduction overall in CTB of 10%. The changes to Housing Benefits are dealt with in more detail below.

More retrenchment was announced in the 2011 Autumn Statement with the cancellation of earlier announced increases in the child element of WTC and the freezing of the couple and lone parent element of WTC.

Finally, the 2012 Autumn Statement claimed further welfare benefits savings of £3.7bn by 2015-16. There will be an uprating of 1% for three years from April 2013 for most working age benefits, and for Local Housing Allowance (LHA) in 2014-15 and 2015-16, although some flexibility is allowed for LHA in areas of high rent increases. The uprating will apply to Child Tax Credit and WTC, except for those elements that are already frozen in 2013-14, whilst Child Benefit will also be uprated by 1 per cent in 2014-15 and 2015-16. It will also be extended to Universal Credit as it is introduced.

As promised in the summary, the following sections examine the impacts of these changes in more detail for several selected areas.

Housing

The justification for the squeeze on Housing Benefit is made mostly by reference to its cost and rapid growth over the past decade. As with the overall benefits cap, there have also been appeals to notions of 'fairness', in which it is claimed that workless households claiming benefits should not live in accommodation that is unaffordable to working households. It has also been claimed, that, for the private rented sector at least, the changes will encourage landlords to moderate rent increases.

According to the DWP, the cost of Housing Benefit in the UK soared from £11bn in 2001 (£15bn in today's prices) to over £21bn in 2011. In the 2012 Autumn Statement, it was claimed that Housing Benefit is still the third largest item of welfare expenditure (although it is not clear whether that figure includes payments for Housing Benefit paid to pensioners – all pensioner benefits account for about 46% of all social security expenditure, compared to 28% for working age claimants).

The general consensus emerging from the considerable amount of academic research conducted into the Housing Benefit 'explosion' is that while private sector de-regulation has enabled landlords to increase rents, the increase in turn has been driven by the UK's chronic housing shortage, prompting a rapid house price inflation (among the highest in Europe) as demand has outstripped supply. In the absence of a massive house-building drive or a return to rent controls, it is likely that rents and prices will continue to rise above the general rate of inflation, let alone the 1% uprating announced for 2014-15 and 2016-16, particularly in areas of high housing pressure like London.

A recent report by the National Housing Federation casts some doubt on the claim that the changes to LHA will influence landlord behaviour. In the report, it is claimed that the cost of privately renting a home has risen by 37% over the past five years, and is set to rise further over the next six years. Private sector rents are likely to be fairly stable through 2013 but could see steep increases from 2015 to 2018 of around 6% a year. Further, 417,830 more working people, an 86% increase since 2009, are now reliant on housing benefit to help them pay the rising rents on their home.

The reforms announced so far will reduce the income package available to benefits claimants through a number of mechanisms.

First, the overall benefits 'cap' from 2013 will apply mostly by reducing the housing element of the income package. Although intended to target families where no adult is in work, there is some anxiety that once Universal Credit is in place, the cap could be applied to those working only a very few hours a week. If the Coalition falls further behind in its deficit reduction programme (as seems likely) it will look to further reductions in the benefits bill.

Second, from April 2011, the maximum Local Housing Allowance (LHA) allowed for private sector tenants was capped at levels set centrally. The rates are as follows:

£250 a week for 1 bedroom
£290 a week for 2 bedrooms
£340 a week for 3 bedrooms
£400 a week for 4 bedrooms.

The rate has been abolished for a five-bedroom dwelling, effectively limiting LHA to the maximum level for a 4 bedroom property.

Also from April 2011, new claims for LHA became restricted to the 30th percentile of market rents for each Broad Market Area, as opposed to the previous median. Social housing tenants will also face reductions in their benefits if their dwellings are deemed to be under-occupied.

In 2010, the Government published estimates of expected weekly monetary losses to privately renting tenants in each region as a result of the 2011-2012 LHA changes. London was expected to be hit hardest, with an estimated 159,000 households due to lose out, nearly a quarter by £20 or more a week. Further, The DWP has admitted that these changes will lead to a higher risk of homelessness.

Third, as we have seen, Housing Benefit will be re-indexed to the CPI. As a consequence, Shelter have estimated that 60% of local authority areas will be unaffordable for LHA claimants by 2030. Their conclusions about the ever increasing shortfall between actual rent and the amount allowed in Universal Credit are based on a detailed study of a series of local authority areas in which they demonstrate the increasing number of districts in which rents will be 'fairly unaffordable' and then 'very unaffordable' as a result of CPI uprating. Importantly they also conclude that Universal Credit recipients will be forced to move to areas on the edge of conurbations to deprived areas where there is a high level of unemployment or fewer job opportunities.

One other change that will affect young (or younger) people in particular is the extension of the Single Room Rate Restriction (SRR) up the age of 35. The SRR means that single childless people occupying a self-contained flat will only be eligible for benefit equivalent to a single room in a shared dwelling. This change took effect from April 2012. It has been estimated by Shelter that 88,000 people will be affected by this change, along with warnings that the risk of eviction and homelessness following from rent shortfalls and a shortage of shared accommodation will increase. It is also likely that it will make housing progression even harder for young people. Young people might also be affected by recent increases in non-dependent deductions for over 25 year-olds living with their parents, which might prompt some parents to encourage their older children to leave.

Disability and Illness

In 2008, benefits paid on grounds of incapacity and disability (Incapacity Benefit (IB), Severe Disablement Allowance (SDA) and Income Support (IS)), were replaced with Employment and Support Allowance (ESA) for all new claimants. The process of re-assignment has since extended to all existing claims for benefits paid for incapacity or disability, with the aim of complete transferral by 2014.

An important part of the ESA regime is the Work Capability Assessment (WCA) process, which is used to assess capability for work and eligibility for benefit. There are three possible outcomes to the WCA:

- Individuals can be found fit for work, in which case their ESA claim closes and the claimant moves to JSA (pending appeal)

- Individuals can be found to have limited capability for work, in which case they are placed in the Work Related Activity Group, receiving a higher payment than those on JSA

- Individuals can be found to have limited capability for work and limited capability for work related activity, and are placed in the Support Group, where they are provided with unconditional support and receive a higher premium.

Both Work Related Activity Group and Support Group claims are re-assessed at 3, 6, 12, 18 or 24 month periods depending on the individual claimant's condition.

ESA will be absorbed by Universal Credit, which in practice means an additional allowance for those who would otherwise have been placed in either the ESA Work Related Activity or Support Groups (henceforth the Capability for Work Elements).

The WCA has been the subject of an external review and some considerable controversy, and warrants a separate briefing in its own right. Part of the controversy hinges on the consequences for claimants, given that transferral to JSA entails some considerable loss of income. According to DWP statistics, about 431,000 existing

ESA/IB claims were re-assessed between March 2011 and February 2012, of which about 34% were transferred to the 'fit for work' group, and a further 26% assigned to the Support Group. However, these figures refer to the net situation after appeals, some of which were in progress during the period for which the figures were compiled.

The volume of appeals against WCA decisions has put a considerable strain on the Tribunals system. There were about 258,000 appeals against 'Fit for Work' decisions made on new ESA claims between 2008-2011, of which 38% resulted in the initial decision being overturned.

The other main impact of current reforms is through changes to Disability Living Allowance (DLA), which is meant to support the care arrangements for disabled people and enhance their mobility. Personal Independence Payments (PIPs) will replace DLA and existing claimants of DLA will be re-assessed.

The Government has claimed that Universal Credit will provide more generous support for disabled adults and disabled children than it does for people in similar circumstances who are not disabled. However, in a recent report by the Work and Pensions Select Committee (November 2012), severe reservations are expressed that the current plan for additional disability elements ensures that existing entitlements will be maintained. Transitional protection diminishes over time and ends when circumstances change.

Council Tax Benefit

Council Tax Benefit (CTB), meant to support people on low incomes in paying their council tax bills, will be replaced with a localised support mechanism from April 2013. Funding for council tax benefit will come from un-ring fenced grants paid directly to local authorities but will encompass a 10% saving on the current Council Tax Benefit bill. As indicated, a detailed briefing has been prepared on this (see here), and little more needs to be said about it here, other than pointing out again that CBT will operate separately from the tapers introduced by Universal Credit, which means calculating the net gain to work for a household moving off benefits is now complicated by the possibility of a plethora of local schemes.

Poverty: Winners and Losers

Considerable effort has been expended by various research units, think tanks, and lobby groups to determine the distributional impacts of the new system, and in particular its effects on poverty.

In its most recent impact assessment (December 2012), the DWP estimates that under Universal Credit, 3.1 million households will have a higher benefit entitlement than in the current system and about 2.8 million will have a lower entitlement. A further 2.4 million households will experience little or no change. The largest numbers of higher entitlements will be in the bottom two quintiles of the income distribution, although there will also be large numbers moving into lower entitlements in the second lowest quintile.

There will be a package of protection to ensure that there are no cash losers at the point of transition to the new system, providing people's circumstances are not significantly altered. However, given that people's circumstances change extremely rapidly, transitional protection beyond the short-term is highly unlikely. It should be noted that the DWP's modelling takes no account of CBT or access to passported benefits.

There is some agreement that the new system of tapers is an improvement on the current system of in-work benefits which impose somewhat arbitrary eligibility thresholds based on hours worked, mostly either above 16 or 30 hours. The new system will in most cases encourage the take-up of 'mini-jobs'. There will nonetheless remain some inconsistencies (see below).

However, there is a common view that that both absolute and relative poverty will increase over the coming decade, particularly in the light of the new benefit uprating measures described above. In a report published in October 2011 by the Institute for Fiscal Studies (IFS) both relative and absolute poverty among adults and children are expected to rise steeply between 2010-20. (Relative and absolute poverty are defined according to the 2010 Child Poverty Act, with the former as household equivalised income below 60% of the median in that year, and absolute poverty as equivalised income below 60% of the 2010-11 median income, adjusted for inflation; incomes are measured before housing costs have been deducted). The numbers of children in relative poverty is forecast to rise by 800,000 by 2020, taking the total to 3.3 million. Among adults with or without children, the numbers are forecast to rise by 400,000 and 1.5 million respectively. An increase of a similar magnitude is expected for adults and children in absolute poverty.

These are central forecasts which take into account the Coalition's tax and benefits changes. Considered in isolation, it is argued in the report that Universal Credit should reduce relative poverty significantly, but the reduction is more than offset by the poverty-increasing impact of the government's other changes, particularly the re-indexation of benefits to the CPI.

In a later report produced in March 2012, the IFS showed the distributional impacts of the tax and benefits changes introduced for 2012 and 2013 impacting most severely on the lowest two quintiles of the income distribution. Those at the very bottom will not benefit from increases in the personal allowance for income tax because they do not pay income tax.

We have seen that the Parliamentary Select Committee has expressed concerns about the protection of additional disability elements in the new system. Concerns have also been expressed about the impact of Universal Credit on gender equality. The Select Committee welcomed the extension of help with childcare costs within Universal Credit for parents who work fewer than 16 hours a week. However, it also noted that the level of support will be less for some families who are currently benefiting from disregards under Housing Benefit and Council Tax Benefit. This will impact most severely on work incentives for women, a subject taken up further below.

Welfare-to-Work

Conditionality

Other related briefings have shown how existing sanctions in the JSA regime will be strengthened. Universal Credit will strengthen and extend conditionality rules and associated sanctions yet further. As is the case now, there will be different levels of expectation depending on a claimant's personal circumstances, but the Government expects the majority of claimants will face more stringent work search and work availability requirements than exist currently. Claimants' responsibilities will be recorded in a Claimant Commitment. Claimants may be required to search for work for up to 35 hours per week. The new conditionality regime will apply to claimants of Universal Credit both in and out of work with the expectation that, wherever appropriate, claimants should seek to find full-time employment. In the case of joint claims, both partners will have to accept their Claimant Commitment and fulfil any conditionality requirements.

Work Incentives

The grand design, and probably the best-known feature of Universal Credit is in the rate of withdrawal of Universal Credit as income increases. In the original conception, the rate was to be 55%, but this has since been modified to less generous 65%. All of this is meant to create a clearer and transparent system with demonstrable returns to leaving benefits and taking up work. In reality, however, there are numerous anomalies and inconsistencies, hinging in particular on the attachment of conditionality to part-time work and the treatment of a second earner's income.

The notion of a full time work measure will go and the benefit is payable both to those in and out of work subject to a means test. What other members of a household do or have may affect entitlement or the amount payable. Claimants will be subject to increased conditionality up to a new 'conditionality threshold' decided by reference to the minimum wage combined with hours of work.

Claimants will be required to look for more hours of work or higher paid work either within their current employment or outside while their earnings remain below an earnings limit (the new conditionality threshold). Above this threshold there is no conditionality. Thus a couple where one works but earns sufficient to bring them above the conditionality threshold is free of conditionality. The threshold is set at the minimum wage multiplied by 35 hours. Lesser amounts as yet not specified would apply to those required to work less hours to qualify for Universal Credit. This raises a number of difficult issues.

First, employers may not welcome their staff being required to look for work for more hours or at higher pay. A claimant who actively seeks a higher wage elsewhere or longer hours could lose a job as a result. Some claimants, particularly those with children or who have a disability might need to restrict employment to near home or where the terms and conditions are favourable to their personal circumstances. The DWP is aware of the potential problem of requiring claimants to change jobs or seek to extend hours of work in their current employment in order to increase earnings, and will accept a claimant's choice to seek additional hours in their current job, but only if there is a 'reasonable prospect' of this being realised. The DWP will also take into account the right to work flexibly for those with caring responsibilities. But how this will work will be left to guidance.

Second, the in work conditionality favours those who can command higher wages. Where a claimant or couple have earnings above the conditionality threshold but remain entitled to universal credit because they satisfy the means test they no longer have to satisfy work requirements. It appears that neither in work conditionality nor couple conditionality would apply as long as the earnings were above the conditionality threshold for a couple even if one of the couple did not work at all. This option would not be available to the couple who could only get low paid work.

Third, disincentives are created in some circumstances for second earners by the design of Universal Credit. In 2011, the Child Poverty Action Group (CPAG) pointed out that disregarded earnings do not count as income but if the first earner uses up the disregard (the maximum disregard for a couple is £3000 plus £4250 per child but is reduced considerably by a formula if there are housing costs), then all earnings of the second earner count as earned income and reduce Universal Credit by 65p for each additional pound earned. If the second earner cannot obtain anything other than a low paid job there may be no incentive to take it unless the income can take the couple out of Universal Credit altogether. The DWP has acknowledged this risk, but has overridden it with its main objective of ensuring work at a household level, or reducing the level of workless households. Together with the requirement for a joint claim for couples (see below) this has been described by some campaigning groups as a smuggling back in of the 'male breadwinner' family model into the system of income support.

Finally, the rules which restrict opportunities for the self-employed under the current regime will continue under Universal Credit. Currently, there is a minimum income floor to make a claim for WTC when self-employed together with a requirement to work full time, that, is, at least 30 hours a week. A similar requirement will be applied to the self-employed under Universal Credit only with more onerous reporting requirements. This will undoubtedly exacerbate existing difficulties of reconciling low paid income derived from self employment with the requirements of in-work benefits.

<u>The Work Programme</u>

An important piece of information that has appeared since the passing of the 2012 Act is the first release of statistics from the Work Programme (WP) on 27 November.

The release contains statistics produced by the DWP on validated WP job outcomes and sustainment payments covering the period June 2011-July 2012. Further releases will be on a six monthly basis with the next due on 28th May 2013.

The data has prompted some considerable disagreement as to whether the WP was 'failing', with the discussion hinging on the figures for job outcomes. Of the 878,000 people referred to the WP over the period, 31,000 had been paced in a job for three or six months (the triggers, depending on the target group, for job outcome payments). This was about 17,000 below what the DWP expected to be its minimum performance level (MPL), which is based on the proportion of referrals converted into a job outcome – or 3.3% against an MPL of 5.5%.

The DWP's MPL is based on what it refers to as its "non-intervention level", or the level at which job entry for the target groups can be expected in the absence of any intervention – below which expenditure can be regarded as deadweight loss. As an analysis by Inclusion argues, it is not fully clear how the DWP arrived at this figure, but it appears to have been over optimistic, based as it was on the best performance of earlier back-to-work schemes, and failing to take account of the deterioration in economic conditions over the period. The Inclusion analysis goes on to argue that the WP is not performing badly in comparison with earlier schemes at this stage in its operation, and anticipates some improvement over the coming months.

However, what should be much more embarrassing for the Government is the publication in November 2012 of an evaluation report on the Future Jobs Fund (FJF). The FJF was an emergency programme introduced by the last Government in October 2009 to support the creation of subsidised jobs for unemployed young people who were at a disadvantage in the labour market. The programme was primarily aimed at 18 to 24 year-olds in receipt of Jobseeker's Allowance (JSA), with a smaller number of places available to JSA claimants aged over 24 in areas of high unemployment. It was abruptly cancelled by the Coalition amidst forthright claims that it had "failed". The FJF evaluation report shows, to the contrary, that the FJF had a significant and long-lasting positive impact on participants' chances of being both off benefits and in unsubsidised employment. The report, 82 pages long and without an executive summary, was announced with little media fanfare, but is nonetheless available on the DWP's website

Meanwhile, long-term JSA unemployment continues to rise. According the ONS's December statistical release, long-term claimant unemployment (over one year) rose by 155,000 between November 2011 and November 2012, to stand at a total of 433,000. For young people (18-24), the total rose by 45,000 over the period, reaching a total of 79,000.

Implementation

The Universal Credit will be paid to one person in the family whether single, a couple, with or without children. Claimants will make a single application for Universal Credit and the vast majority of claims, notifications of changes in circumstances and payment checks will be made online using an automated system. Payment will be monthly in arrears, and rents will be paid directly to tenants.

All of this has aroused considerable anxiety, first, because it is feared that many people will be excluded from or unable to use on-line services, second because low-income households face great challenges budgeting on a monthly basis, and third because the payment of rents directly to tenants increases the risk of arrears. Further, employers have expressed scepticism that PAYE records can be linked effectively to Universal Credit claims, whilst considerable scepticism attaches to the likely effectiveness of the IT programme. In early November 2012, a string of leaks appeared in *The Independent* and *Computer Weekly* regarding glitches and problems in the system (see *Computer Weekly*, 13 November).

As we have seen, CTB will not be included in Universal Credit but will instead be abolished, with support for council tax payments localised (in England). Social Fund elements that can be automated, such as budgeting loans and alignment crisis loans, will become part of Universal Credit. The passported benefits system (including free school meals and health benefits such as free prescriptions) will be reformed so as to gradually withdraw entitlements as earnings rise, but final decisions have yet to be announced on the exact arrangements. All of this introduces additional layers of complexity.

The old and new systems will continue to operate in parallel from October 2013 until the end of 2017. It has been noted that no transfer from old to new systems of a comparable scale has ever been achieved. The broad timetable for the roll out of Universal Credit is as follows:

- Universal Credit will go live as pilots in Tameside, Oldham, Wigan and Warrington council areas in April 2013. The pilots will enable the DWP to test the new benefit payment system and the associated IT with local authorities, employers and claimants before Universal Credit is rolled out across the country in October 2013.

- Between October 2013 and April 2014, new claimants will begin to receive Universal Credit in place of JSA, ESA, Housing Benefit, WTC, and Child Tax Credit; from the same date, a further 500,000 existing claimants, their partners and dependents, will also move on to Universal Credit as and when their circumstances change significantly (such as when they find work, or there is an addition to the household).

- From April 2014, the second phase will prioritise those who have most to gain from the new system, such as WTC claimants who work a small number of hours a week; over 3.5 million claimants will be transferred onto Universal Credit during this phase.

- In the final phase, meant to start in 2015 and run through to 2017, a further 3 million households will be transferred.

In August 2012, twelve local authority led pilot areas were announced, as follows:

- Bath and North East Somerset Council
- Birmingham City Council
- Caerphilly County Borough Council
- Dumfries and Galloway Council
- London Borough of Lewisham
- Melton and Rushcliffe Borough Councils (as a partnership)
- Newport City Council
- North Dorset District Council
- North Lanarkshire Council
- Oxford City Council
- West Dunbartonshire Council
- West Lindsey District Council

Two further pilots by Oldham Council and Wigan Council will be run as part of the Pathfinder preparations.

In addition, there are currently five local authority and housing association demonstration projects meant to test the direct payments of Housing Benefit (or housing cost support as it will become) to social housing tenants. The, projects, announced in January 2013 and scheduled to run between June 2012 and June 2013, are:

- Southwark Council and Family Mosaic, London
- Oxford City Council and Oxford Citizens, (part of the) Greensquare Group, Southern England
- Shropshire Unitary County Council and Bromford Group, Sanctuary Housing and The Wrekin Housing Trust, West Midlands
- Wakefield Metropolitan Borough Council and Wakefield and District Housing, Northern England
- Torfaen Borough County Council and Bron Afon Community Housing and Charter Housing, Wales

Each will be involved in testing out different elements of the project, including testing different trigger points when social landlords should receive direct payments if tenants fall into specified levels of arrears.

In an article published in the 7 December issue of *Inside Housing*, Wakefield District Housing predicted that the new arrangements would cost them £8m annually in bad debts, restricting their ability to, among other things, build new houses. It was added that an extra £3.5m a year would have to be spent on colleting rents.

For Local Government

The DWP has declared that the potential implications (and opportunities) for local authorities are significant. It intends discussing further with local government the case for local authorities dealing with non-mainstream Housing Benefit cases (by which it means people living in supported or temporary accommodation). Local authorities may also have a role to play in delivering face-to-face contact for those who cannot use other channels to claim and manage their Universal Credit, meaning those with difficulty accessing the Internet. It also acknowledges the important role of the voluntary sector in assisting advice and support.

This undoubtedly understates the enormous task facing local authorities in assisting local people adapt to and manage the new systems at a time of reduced resources. In addition to massively increased demand for advice services in benefit entitlements, debt, and budgeting, the likely increase of poverty and risk of homelessness will create more pressure for crisis services like temporary hostels and food banks. The increasing use of sanctions together with further squeezes on the lowest incomes will undoubtedly result in more petty crime, begging, and prostitution. Crisis responses and anti-poverty strategies will as a matter of urgency have to be devised in close collaboration with civil society.

Comment

As suggested at the outset, there is a remarkable degree of consensus that the British system of social security has been (for some time) in need of radical reform. It is undoubtedly the case that it is mind-bogglingly complex and accommodates perverse incentives.

Whether the current reforms will succeed in redressing these concerns, however, is another matter. It is true that the system of in-work benefits under Universal Credit will work better for some groups than the current system of tax credits, although, as we have seen, there are anomalies and inconsistencies, in addition to likely gender imbalances in their effects. Further, given the announcements made in a series of budgets and spending reviews, it would appear that the goal of always making work pay is to be achieved by lowering yet further the value of out-of-work benefits in relation to earnings. It would also appear that administrative savings are going to be achieved by getting claimants to do all the work themselves through the management of on-line accounts, with penalties if they get things wrong.

As for the aim of simplification, additional complexity, as we have seen, has been re-introduced through the new arrangements for Council Tax Benefit and the as yet unresolved issue of access to passported benefits, some of which are of crucial importance to people on a low income. Part of the problem is perhaps that the aim of simplicity is unattainable: to paraphrase Paul Spicker (Professor of Public Policy at Robert Gordon University), social security benefits are complicated not through design but because they are meant to do complicated things.

Making life simpler for poor people is perhaps better achieved not through an unattainable goal of simplification but through imparting a greater degree of stability and predictability in the amount of income people can expect to receive from one month to the next, so that they can budget and plan for their own and their children's self-sufficiency. This implies a greater degree of generosity than is currently available in the current system, which appears to involve large numbers of people employed to make large numbers of calculations about small changes to small amounts of money in response to rapidly changing circumstances. Stability and predictability from one period to the next might involve what is currently understood as an overpayment in one or more periods of time; in another period, it might involve the claimant having to accept some rough justice. But there will never be a perfectly fair benefits system, just as there never can be a perfectly fair tax system.

The design of social security should not be based solely about what constitutes fairness in terms of redistributing income from one group in society to another, but about what it is meant to achieve. In this regard, the prevention of poverty is as valid an aim as responding to it after it has happened. Unfortunately, we appear to be heading for a residual system of welfare only meant to provide a rudimentary safety net for the most desperate. If this is the case, then it will be the most genuinely radical departure from Beveridge's solidaristic conception of universal social insurance. There is need for a wider debate about the purpose and future of the welfare state that goes beyond issues of redistribution and the current preoccupation with saving money.

Links

DWP Final Universal Credit Impact Assessment (December 2012) Here:

http://www.dwp.gov.uk/docs/universal-credit-wr2011-ia.pdf

DWP Benefit Cap Impact Assessment (July 2012) Here:

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