

Benefit Cap

Equality impact assessment

July 2012

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Equality impact assessment for the benefit cap

Introduction

This equality impact assessment replaces that published by the Department for Work and Pensions (the Department) in March 2011 and previously updated in October 2011.

We are collecting and analysing equality information to help understand potential impacts of the benefit cap on people with protected characteristics, in accordance with the Equality Act 2010 and the Public Sector Equality Duty. We are using this information as part of our decision making and monitoring processes. This document sets out

- the changes we are making;
- who is involved in shaping the changes;
- our assessment of the impact of the changes;
- what we are doing to ease the transition;
- how we will monitor and evaluate the changes.

The benefit cap will complement the introduction of Universal Credit in acting as a work incentive. Universal Credit will make the benefits of work clearer and simpler: encouraging people to move into work and helping them see the financial benefits of increasing the number of hours they work. The benefit cap will help to make work pay as those claimants moving into work will be exempted from the measure.

The benefit cap will:

- act as an incentive to work. Limiting the amount of benefit that households on out of work benefits can receive will mean it will be more likely they will be better off on entering work;
- promote greater fairness in the welfare system between those on out of work benefits and tax payers in employment by preventing households on out of work benefits from receiving a greater income from benefits than the average weekly wage;
- reduce benefit expenditure and help tackle the financial deficit.

Brief outline of the policy

What changes are we making?

1. From April 2013 total household benefit payments for working-age claimants will be capped so that workless households¹ will no longer be entitled to receive more in benefit than the average weekly wage, after tax and national insurance.
2. Initially the cap will be administered by local authorities through housing benefit payments. When a household's total benefit entitlement² exceeds the cap the local authority will reduce the level of housing benefit by the excess amount. From October 2013 the cap will be applied through Universal Credit, starting with all claimants setting up a Universal Credit account including those migrated from existing benefits³.
3. The cap is part of the Welfare Reform Act which received Royal Assent in March 2012.

What is the level of the cap?

4. Total entitlement to benefit payments will be capped at £500 per week for couples and lone parent households. The level of entitlement for single adults will be capped at £350 per week. For those with a Universal Credit account the cap will be applied for the assessment period, which will be

¹ For the purposes of the benefit cap we define a household as a claimant, their partner and any children they are responsible for and who live with them.

² The benefits we take into account when calculating the cap in housing benefit are: Bereavement Allowance; Carer's Allowance; Child Benefit; Child Tax Credit; Employment and Support Allowance (contribution-based and income-related) except where the Support Component has been awarded; Guardian's Allowance; Housing Benefit; Incapacity Benefit; Income Support; Jobseeker's Allowance (contribution-based and income-based); Maternity Allowance; Severe Disablement Allowance; Widowed Parent's Allowance; Widowed Mother's Allowance; and, Widow's Benefit.

We will exclude: Bereavement payment; Council Tax Benefit or the replacement localised support for Council Tax; Discretionary Housing Payments; Retirement Pension; Social Fund Payments and those payments being replaced by local authorities and the devolved administrations from April 2013; State Pension Credit; Statutory Adoption Pay – Paid by employers; Statutory Maternity Pay – Paid by employers; Statutory Paternity Pay – Paid by employers; Statutory Sick Pay - Paid by employers; non-cash benefits, and passported benefits.

³ The benefits we take into account when calculating the cap for a Universal Credit account are: Universal Credit excluding the child care element; Bereavement Allowance; Carer's Allowance; Employment and Support Allowance; Guardian's Allowance; Jobseeker's Allowance; Maternity Allowance; Widowed Parent's Allowance; Widowed Mother's Allowance; Widow's Benefit; and, Child Benefit.

monthly. The direct monthly equivalent limits are £2167 for couple and lone parent households and £1517 for single households⁴.

Who is exempt from the changes?

5. There are some exceptions to when the benefit cap will be applied. These are when the claimant or the claimant's partner is entitled to Working Tax Credit or the in-work exemption for those with a Universal Credit account, or are in receipt of Employment and Support Allowance with a support component, Attendance Allowance, Industrial Injuries Benefit (and equivalent payments under the War Disablement Pension or Armed Forces Compensation Scheme) or a war widow's or widower's pension. They also include cases where the claimant, claimant's partner or a child or young person one of them is responsible for is in receipt of Disability Living Allowance. Where a person is not receiving Disability Living Allowance, Attendance Allowance or a War Disablement Pension because they are in hospital or a care home, the exceptions will continue to apply. More on this at paragraph 22.

Consultation and involvement

Who has been involved in shaping the changes?

6. The Government's consultation document, "21st Century Welfare", published in July 2010⁵ asked people "What steps should the Government consider to reduce the cost of the welfare system and reduce welfare dependency and poverty." As reported in, "Consultation response to 21st Century Welfare," published in November 2010⁶, many people responded to that question by suggesting that there should be a benefit cap, introduced to restrict the amount of welfare payments people can receive while out of work. Suggestions for the form and level of a cap varied but a common view was that it should be set with relevance to the National Minimum Wage.
7. We discussed these views with stakeholders at various Departmental meetings, including the Department's Policy and Strategy Forum and more recently the National Operations Stakeholder Engagement Forum, with local authorities through the Local Authority Association Steering Group, and with

⁴ The cap is based on median earnings after tax and national insurance contributions for working households. An estimate for this was produced using a simulation model based on up-rated data from the 2008-09 Family Resources Survey. The single rate is approximately 70% of the couple rate and is in line with the Organisation for Economic Co-operation and Development's (OECD) equivalisation factors which adjust incomes to take into account both the size and composition of households.

⁵ www.dwp.gov.uk/docs/21st-century-welfare.pdf

⁶ www.dwp.gov.uk/docs/21st-century-welfare-response.pdf

officials at HM Treasury and the Department for Communities and Local Government to develop the initial proposals.

8. During the passage of the Welfare Reform Bill (Welfare Reform Act 2012) we had discussions with MPs, Peers and external stakeholders to explain the rationale for the introduction of the benefit cap, to set out the Department's early plans for delivering the cap and to discuss issues arising.

Who is involved in implementing the changes?

9. Discussions have been on-going with local authorities at meetings of the Local Authority Association Steering Group and with officials in Jobcentre Plus on potential options for delivering the cap both prior to and after the introduction of Universal Credit.
10. As well as regular updates to the normal meetings of the Local Authority Practitioner Operational Group (POG), we have held two special benefit cap meetings with POG. The first one focussed on activity required between April 2012 and April 2013, the second one on the period from April 2013 when local authorities will start to administer the cap and apply it to HB payments.
11. We consulted on the draft Benefit Cap (Housing Benefit) Regulations (which allow for administration of the cap through housing benefit payments from April 2013) with local authorities. This process began on 18th May and we asked for responses by 29th June 2012.
12. Although not formally required to do so, we also referred the proposals for Benefit Cap (Housing Benefit) Regulations and Universal Credit Regulations (which include provisions applying the cap in Universal Credit) to the Social Security Advisory Committee (SSAC). The SSAC are consulting on the proposals, primarily on the impact and mitigation of the cap, and have invited responses by 27 July 2012.
13. We are working closely with other Government Departments and key stakeholders at a national level to ensure they understand what the cap is, and the impact it has on their business and the people they represent. Jobcentre Plus will mirror this work at a local level. Understanding the implications for the local landscape and economy will help them identify the support needed in their area. Jobcentre Plus districts will be working closely with local authorities to offer appropriate support to those affected by the cap.
14. Some families affected by the benefit cap may be receiving help as part of the Troubled Families Programme. We will work closely with Troubled Family co-ordinators in local authorities, and with Department for Communities and Local Government, to identify these families and ensure that they are aware they may be affected by the cap and can put the appropriate support measures in place.

Impact of the proposed changes

What impacts have been identified?

15. A full impact assessment is available on the Department for Work and Pensions website, which details how the figures were estimated⁷. It suggests that, in the absence of any behavioural response to the policy, around 56,000 households will have their benefits reduced by the policy in 2013/14 (this is roughly one per cent of the out-of-work benefit caseload) and 58,000 in 2014/15. Within these households, and in 2013/14, the number of adults affected is 80,000 and the number of children 190,000.
16. The mean reduction in benefit for households affected by the cap is estimated to be around £93 a week (median reduction £62 a week). The reduction for around 33% of households will be more than £100 per week whilst 43% will have their benefit reduced by less than £50 a week.

Table 1 Size of reduction in benefit from the total benefit cap

Size of reduction (£/week)	Less than £50 per week	Between £50 and £100 per week	Between £100 and £150 per week	More than £150 per week
Proportion of losers (%)	43%	24%	13%	20%

17. **Potential impacts of the policy on people with protected characteristics are as follows:**
 - **Family type:** 89% of the households affected will contain children: 39% are likely to be couples with children and 50% will be single parents.
 - **Family size:** Just under 52% of households affected will have 4 or more children. Just under 38% will have between one and three children and around 11% will have no children. Table 2 describes the composition of households affected.

⁷ <http://www.dwp.gov.uk/docs/household-benefit-cap-wr2011-ia.pdf>

Table 2 Estimated composition of capped households

	Number of children in household				
	0	1 or 2	3	4	5 or more
Couples	1%	5%	9%	12%	13%
Singles /Lone parent	10%	11%	13%	11%	15%

Note: Percentages may not sum to 100% due to rounding

The Office for National Statistics finds that Asian households are larger than households of any other ethnic group. Households headed by a Bangladeshi person were the largest of all with an average size of 4.5 people in April 2001, followed by Pakistani households (4.1 people) and Indian households (3.3 people).

- **Gender:** Modelling suggests that around 60% of customers who are likely to have their benefit reduced by the cap will be single females but only around 10% will be single men.

Most of the single women affected are likely to be lone parents: this is because we expect the majority of households affected by the policy to have children and around 50% to be single parents.

- **Age:** Modelling suggests that around 80% of those affected will be aged 25 to 44. As those under 25 tend to receive less benefit, and are less likely to have children most of the other 20% affected will therefore be 45 or over. The cap will only apply to working-age benefits and will not impact on single people or couples who have both reached the qualifying age for Pension Credit. In Housing Benefit the cap will not apply to most couples where one partner has reached the qualifying age for Pension Credit.

- **Disability:** We will be excluding households where someone is in receipt of Disability Living Allowance (or its replacement Personal Independence Payment from April 2013), Attendance Allowance, Industrial Injuries Benefit or the support component of Employment and Support Allowance. However, disability can be defined in a number of ways and receipt of these benefits is just one potential way. Of the households who lose from this policy, based on internal modelling, we expect roughly half will contain somebody who is classed as disabled under the Equality Act.

- **Ethnicity:** A large proportion of those affected are likely to be large families, implying that households from cultural backgrounds with a high prevalence of large families and households from certain ethnic minorities

that tend to have a higher proportion of large families are more likely to be affected.

We estimate that of the households likely to be affected by the cap approximately 40% will contain somebody who is from an ethnic minority. By comparison, the Department's statistics show that 17% of Jobseeker's Allowance claimants, 16% of the lone parents claiming Income Support and 9% of Employment and Support Allowance can be identified as being from the ethnic minorities.

- **Geography:** We expect that around 49% of those affected by the cap will be based in Greater London. This is because of the higher rents payable in London. Around 3% of affected households are in Wales (1,500); and around 4% are in Scotland (2,500).
- **Sexual orientation:** The Department does not hold information on its administrative systems on the sexual orientation of claimants. The Government does not envisage an adverse impact on these grounds.
- **Pregnancy and maternity:** The Department only holds information on pregnancy and maternity on its administrative systems where it is the primary reason for incapacity. It cannot therefore be used to accurately assess the equality impacts. The Government does not envisage an adverse impact on these grounds.
- **Religion or belief:** The Department does not hold information on its administrative systems on the religion or beliefs of claimants. The Government does not envisage an adverse impact on these grounds.
- **Gender reassignment:** The Department does not hold information on its administrative systems on gender reassignment. The Government does not envisage an adverse impact on these grounds.
- **Marriage and Civil Partnership:** The Department does not hold information on its administrative systems on the marital or civil partnership status of claimants. The Government does not envisage an adverse impact on these grounds.

What are we doing in mitigation?

18. We expect different households to have different behavioural responses to the cap but those affected will have a number of options to consider. These include starting work, reducing their non-rent expenditure, making up any shortfall in housing benefit using a proportion of their other income or moving to cheaper accommodation or area. We have a number of measures in place to ease the transition for families affected by the policy.
19. The Government's strategy is based on the principle of providing mainstream services that are flexible enough at the point of delivery to deal

with the needs of individual claimants. Most of the obstacles to labour market participation faced by our claimants are very similar, whatever their background. Barriers that may exist, such as lack of confidence, poor educational achievement, low skill levels or disabilities are universal. Where impediments are specific to a person's ethnic origins, such as lack of fluency in English, these can be addressed within the mainstream programmes.

Employment support

20. We are giving all existing claimants who could potentially be affected by the cap early notice; so we can offer them appropriate support to change their circumstances and move into work. During May 2012 we wrote to all claimants potentially affected by the cap from April 2013 and we are planning to repeat this exercise in October 2012. A help-line has been set up to answer questions on the cap. It provides general information about the changes and the support people can get but they will not have full access to benefit information.

There is a wide range of help available including employment support offered by Jobcentre Plus and its partners including the Work Programme and Work Choice. The Department is working intensively with claimants explaining and identifying the support available locally and how they can look at other options if appropriate.

Childcare Costs

21. Currently support for childcare costs for those in work is provided through Working Tax Credit. Households in receipt of Working Tax Credit will be exempt from the cap when it is introduced to Housing Benefit. Once claimants are in receipt of Universal Credit, support for childcare costs will be paid via an element within Universal Credit and will be extended to parents working fewer than 16 hours. Removing the minimum hours rule for childcare support is important to ensure that there is an incentive for parents to enter work but as a result it is likely that in Universal Credit childcare support will be available to households subject to the benefit cap. The Government has therefore announced that payments to support childcare costs through Universal Credit will not be affected by the cap and will continue to be received in full. This will help mitigate the impacts of the cap for parents whilst maintaining the work incentive effects of providing support for the costs of childcare for those in employment.

Exemptions

22. Certain benefits and payments will result in exemption from the cap. Exemptions will apply for:

Entitlement to Working Tax Credit: In order to increase the incentive to find a job or increase hours worked, all benefit households which are

entitled to Working Tax Credit (WTC) will be excluded from the cap. This includes households who are working sufficient hours to qualify for WTC but whose earnings are so great that they have been awarded a “nil entitlement.”

Once claimants have been migrated to, or have set up a Universal Credit account, WTC will no longer be available to them. The Universal Credit in-work exemption will instead apply to all benefit households where someone is in employment and earning the equivalent of 16 hours a week at the National Minimum Wage (NMW) or more. Based on the NMW of £6.19 an hour from October 2012, the in-work exemption will initially be set at £430 gross a month.

Households in receipt of:

- Disability Living Allowance;
- Personal Independence Payment;
- Attendance Allowance;
- Industrial Injuries Benefits (and equivalent payments made as part of a War Disablement Pension or the Armed Forces Compensation Scheme);
- the support component of Employment and Support Allowance; and
- the limited capability for work and work related activity element of Universal Credit.

This is in recognition of the additional financial costs that can arise from disability and that disabled people will have less scope to alter their spending patterns or reduce their housing costs.

War Widows and Widowers: An exemption will apply to any war widow or widower who is in receipt of a pension paid under the relevant parts of the War Pension Scheme, Armed Forces Compensation Scheme or analogous schemes. This supports the aim of the Armed Forces Covenant to recognise sacrifice of those seriously injured or killed in the service of their country. The exemption for the ESA support component (and equivalent element in UC) means that the cap will not apply to those severely disabled people who are least likely to be able to move into work.

Grace period

23. A 39 week (nine months) grace period will apply to a new claim for benefit where a claimant or their partner has been in work continuously for 50 weeks out of the previous 52 weeks (12 months) and during the period(s) of employment they were not in receipt of out of work benefits. This will help those who find that their circumstances have changed because their job has ended and will allow people time to find alternative employment or consider

other options to avoid the impacts of the cap. It will also reduce the impact of the cap in any situation where the loss of employment is caused by a sudden or temporary change of circumstances.

We have allowed for up to two weeks between periods of employment when assessing a continuous 12 month period as this offers protection to people who may have moved employment in this period and who have had a short break between employers/contracts. A claimant will be allowed to have claimed an out of work benefit in these two weeks.

The grace period will be for a set 39 weeks (nine months) beginning on the day following the last day of employment. Where a grace period is applicable it will remain in place irrespective of any reportable change of circumstances made by the claimant during the 39 weeks (nine months).

Discretionary Housing Payment

24. Discretionary Housing Payments⁸ can make an important contribution to managing the transition for various customers whilst they make the necessary changes to adapt to the application of the benefit cap. In response to the concerns raised about the potential impact of the benefit cap on different groups the Government is providing additional funding of up to £75 million in 2013/14 and up to a further £45 million in 2014/15 for Discretionary Housing Payments. The intention is that these funds are used to give short-term, temporary relief to families who may face a variety of challenges such as being unable to move immediately for reasons of education or child protection, taking on kinship care responsibilities or having to move as a result of domestic violence. Discretionary Housing Payments can also help families manage their move into more appropriate accommodation. Each case is considered on its own merits rather than on pre-defined criteria. Guidance is being revised to emphasise this use of the available funding.

Where the total amount of welfare benefits exceeds the cap, the local authority will reduce a claimant's entitlement to housing benefit by the amount of the excess. However, housing benefit will not be taken below the minimum amount payable of £0.50 under the current rules, to ensure that claimant's are still able to access discretionary help from their local authority (through the Discretionary Housing Payment Scheme) and to other services where eligibility is dependent on being in receipt of Housing Benefit.

⁸ Discretionary Housing Payments provide claimants with further financial assistance, in addition to any welfare benefits, when a local authority considers that help with housing costs is required.

Monitoring and evaluation

What will we evaluate?

25. There will be a full evaluation of the benefit cap which will explore its effectiveness and analyse the appropriateness of the policy design and delivery model. The evaluation will inform any decisions on whether the cap would benefit from any changes to its structure or delivery. Linked to this, the Minister for Employment announced to Parliament on 1st February 2012 that the Department will publish a review of the cap after the first year of its operation. The review will cover all the areas required for the evaluation of government policies and will be published in autumn 2014.

26. Key Themes of the evaluation

- **Delivery** – How effective has the delivery of the benefit cap been (in all its delivery stages)? How effective has staff training and awareness-raising been? What has happened in terms of support, and use of the Work Programme? How effective have the working relationships been between the Department for Work and Pensions, the Department for Communities and Local Government and local authorities? How has the cap impacted on Jobcentre Plus and local authorities' performance?
- **Work and Well Being** – What impact has the cap had on movement into work or increases in hours of employment. What impact has the cap had on work retention and progression, hours worked, job tenure?
- **Behaviour Change** – What impact has the cap had on where claimants can afford to live, and on household structure?
- **Income and Well Being** – What impact has the cap had on claimants' income levels?
- **Beliefs and Expectations** – What impact has the cap had on claimant attitudes towards work and benefit receipt? What impact has the cap had on public attitudes towards benefit receipt?
- **Wider Indicators** – What impact has the cap had on vulnerable individuals and families? What impact has cap had on the number of children in poverty? What impact has cap had on the number of people in temporary accommodation?

What data sources will we use?

27. We are committed to monitoring the impact of our policies and the effectiveness of the mitigating actions. We will use evidence from a number of sources on the experiences and outcomes of the protected groups including

- administrative datasets, including the Department for Work and Pension's Work and Pensions Longitudinal Study (WPLS), to monitor trends in the benefit caseloads for the protected groups and in the level and distribution of benefit entitlements. The administrative data will provide robust material for age and gender although not, as a rule, for the other protected groups. Where it is practical we will endeavour to incorporate information for the other protected groups.
- survey data, such as the Family Resources Survey (FRS) and Labour Force Survey (LFS), to assess trends in the incomes of the protected groups and in their employment outcomes. Both the FRS and LFS will collect information on age, disability, gender, ethnicity, sexual orientation, religion and civil partnerships.
- qualitative research and feedback from stakeholder groups to assess whether there are unintended consequences for the protected groups, and whether the policy is likely to result in adverse consequences for particular groups.
- feedback from Departmental employee networks and internal management information. For example we will monitor the level of complaints in order to assess the broader impact of the policy.
- broader Departmental research where appropriate, as well as any research commissioned specifically as part of the evaluation of the measure.

28. We are looking to identify and address any gaps in data provision to help us gauge the success of the policy wherever reasonable

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