

**SOCIAL SECURITY**  
**ADVISORY COMMITTEE**

**The cumulative impact of welfare reform:  
a commentary**

**A study by the Social Security Advisory Committee  
Occasional Paper No. 12**

**April 2014**

## About this report

This project was conducted as part of the Social Security Advisory Committee's (SSAC's) Independent Work Programme, under which the Committee investigates pertinent issues relating to the operation of the benefits system.

We would like to thank the individuals and organisations that provided their views on this issue, including at the SSAC stakeholder event in January 2014. We are particularly grateful to Professor Steve Fothergill (Centre for Regional Economic and Social Research) and to Deven Ghelani (Policy in Practice) for their presentations on social security reform.

We are also grateful for the assistance of our Policy Analyst, James Evans, who prepared the paper for us, and to officials who provided factual information. However, the views expressed and recommendations reached in the paper are solely those of the Committee.

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## Foreword

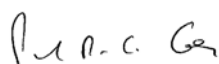
Since coming to office in May 2010 the Government has, against the background of economic austerity in the wake of the recession, pursued an extensive and far-reaching programme of 'welfare reform' that seeks to introduce '*...greater fairness to the welfare and pensions systems by making work pay and reinvigorating incentives to save for retirement...while protecting the most vulnerable – disabled people and pensioners*'.<sup>1</sup>

Universal Credit is designed to be at the heart of these reforms, however it is only at the early stages of implementation and a series of other initiatives and changes have been introduced and implemented on a faster timescale. Each of these changes has a distinct purpose and has had (or will have) specific consequences and impact: indeed, each policy or initiative has been subject to impact assessment by DWP and the resulting analysis made public. It is likely, however, that the whole is greater than the sum of its parts and for that reason SSAC believes that maximum efforts should be made on an ongoing basis to evaluate the overall impact of this reform programme and to provide a context for future policy initiatives.

Advice agencies, voluntary organisations, parliamentarians, church leaders as well as those directly affected by changes to the social security system are calling for a 'cumulative impact analysis' of welfare reform. The subject was debated in the House of Commons in February 2014.

The demand for a cumulative impact analysis is, however, not straightforward, and it has also become part of a wider debate about the purpose of social security and welfare reform. This, in turn, risks obscuring the major methodological challenge that confronts any attempt to evaluate such a broad programme of reform, much of which is designed to influence and change behaviours, in the context of economic developments over an extended period of time.

It is not our purpose to undertake a cumulative impact of welfare reform ourselves. Indeed it would certainly be beyond our resources to undertake such a complex task. We are committed, however, to describing the broad thrust of welfare reform and to summarising the various arguments and available evidence, and that is our purpose in this report. Looking ahead, we believe that more can and should be done to identify and evaluate the interaction between elements in the welfare reform agenda, particularly as they affect vulnerable groups. The inability to produce the perfect study should not prevent the highest priority being given to producing the best possible combined analysis as these reforms are progressively implemented.



Paul Gray  
Chair, SSAC

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<sup>1</sup> *DWP reform: DWP's welfare reform agenda explained*, page 3. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/269568/dwp-reform-agenda-explained-dec-2013-1.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/269568/dwp-reform-agenda-explained-dec-2013-1.pdf)

## 1. Introduction

As part of its programme of welfare reform, the Government is introducing radical and far-reaching changes to the benefits system. This is part of a broad-based strategy that aims to address perceived problems in the social security system: high expenditure and poor work incentives. However, whilst the impact of these reforms on Government expenditure can be tracked, the overall impact of these reforms more generally, for example on the income, employment, housing, and well-being of individual claimants and their dependants, is less clear.

One reason for the lack of clarity about the cumulative effect is that impact assessments are produced for individual policies rather than considering broader social security reform. For example, since 2010 there have been more than 20 separate impact assessments published relating to welfare reforms, including:<sup>2</sup>

- Welfare Benefits Up-rating Bill;
- Closure of the Independent Living Fund;
- Universal Credit;
- Benefit Cap;
- Housing Benefit: under occupation of social housing;
- Disability Living Allowance reform;
- Housing Benefit: CPI uprating of Local Housing Allowance;
- Time-limiting contributory element of Employment and Support Allowance; and
- Social Fund localisation.

As it is inevitable that a significant number of claimant households are likely to be affected by multiple reforms, this approach to assessing impact does not sufficiently demonstrate the full effect of these changes. It is important that the impact of these reforms is fully understood so that any unintended gaps in support, particularly to the most vulnerable claimants, may be addressed. Such clarity will also serve to inform the Government's future spending choices at a time when there is significant focus on further reducing benefit expenditure.<sup>3</sup>

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<sup>2</sup> A full list of impact assessments on the topic of welfare can be found at: <https://www.gov.uk/government/publications>.

<sup>3</sup> In his New Year economy speech, the Chancellor of the Exchequer announced that, in order to reduce the deficit, £12 billion of further welfare cuts are needed in the first two years of the next Parliament. The text of this speech is available at: <https://www.gov.uk/government/speeches/new-year-economy-speech-by-the-chancellor-of-the-exchequer>

### Illustrative example

A working family of two adults with dependent children might be affected by the reforms to tax credits and, as a result, need to work a total of 24 hours per week to qualify for Working Tax Credit (with one partner working at least 16 hours). This tightens eligibility, as the couple would previously have qualified where just one partner was working 16 hours a week.

It is possible that the same family is in receipt of Housing Benefit and would be affected by the cap on Local Housing Allowance rates – set at the 30<sup>th</sup> percentile of local private rents. Each reform could have significant consequences for the family, with both changes being implemented in a relatively short space of time.

This report does not seek to present new analysis. Instead, it aims to:

- present a descriptive overview of the varied elements of welfare reform;
- identify the most relevant pieces of existing research (and commentary);
- draw attention to any gaps in the evidence-base; and
- discuss how these gaps might best be addressed.

The report focuses on working-age benefits and tax credits. It does not consider pension-age benefits.<sup>4</sup> This is in response to the comparatively large number of changes being made to working-age benefits, and the Government's focus on ensuring that changes to the benefit system make work pay.<sup>5</sup>

Furthermore, the report does not look to consider how changes to policy are implemented. Impacts arising from the implementation of reforms can be equally significant for a claimant as changes to policy and legislation, if not more so.<sup>6</sup> This is especially true of reforms seeking to change claimant behaviour. However this is a diverse topic, covering for example: decision-making, communications, the process of appeals, and the transfer of responsibility – both across government departments and down to local authorities. It is therefore likely to be beyond the scope of any single report. It is also too early fully to assess how welfare reforms have been implemented, and especially so for the introduction of Universal Credit and the migration of Disability Living Allowance claimants to the new Personal Independence Payment.

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<sup>4</sup> Some pensioners will be affected by changes to working-age benefits and tax credits as a result of living in a household with working age adults.

<sup>5</sup> As outlined in *21<sup>st</sup> Century welfare*. Available at: <http://www.dwp.gov.uk/docs/21st-century-welfare.pdf>

<sup>6</sup> The importance of implementation has been highlighted by Policy in Practice, for example in *Austerity and welfare reform: should we separate the two?* Available at: <http://policyinpractice.co.uk/austerity-welfare-reform-separate-two/>

## 2. What is welfare reform?

The Government has set out its reform programme in '[Department for Work and Pensions] DWP reform: DWP's welfare reform agenda explained'.<sup>7</sup> This section explains the agenda as laid out in this document.

### 2.1 Objectives

The Government's objectives for reform are first identified as being to introduce '*...greater fairness to the welfare and pensions systems by making work pay and reinvigorating incentives to save for retirement...while protecting the most vulnerable – disabled people and pensioners*'.<sup>8</sup>

The Government further notes that '*the nation's finances also need to be put on a more sustainable footing...*'<sup>9</sup>, with the affordability of the welfare system being identified as a key objective of reform in Budget 2013.<sup>10</sup> Given the Government's stated objective of protecting disabled people and pensioners, this reduction in benefit expenditure is intended to target non-disabled, working-age claimants.

### 2.2 Universal Credit

The Government considers Universal Credit (UC) to be its flagship social security reform and that it will be '*the biggest change to the welfare system in a generation which will ensure that it always pays to work*'.<sup>11</sup> Its objective is to address poor work incentives and complexity within the current system of benefits and tax credits.

Changes to entitlement and increased take-up arising from UC are expected to increase benefit expenditure by £2.3bn although, with offsetting savings from reduced fraud, error and overpayments, the net cost to the Exchequer is estimated at £100m<sup>12</sup> per year. Accordingly, the introduction of UC will result in changes in the level of entitlement for many claimant households. This cost estimate does not include the impact of reduced unemployment which can be expected as a long-term consequence of UC.<sup>13</sup>

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<sup>7</sup> DWP reform: DWP's welfare reform agenda explained. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/269568/dwp-reform-agenda-explained-dec-2013-1.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/269568/dwp-reform-agenda-explained-dec-2013-1.pdf)

<sup>8</sup> Ibid. Page 3.

<sup>9</sup> Ibid.

<sup>10</sup> HM Treasury, *Budget 2013*. Page 57. Available at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/221885/budget\\_2013\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221885/budget_2013_complete.pdf)

<sup>11</sup> Ibid.

<sup>12</sup> DWP, *Universal Credit Impact Assessment* (December 2012). Page 5. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220177/universal-credit-wr2011-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf). These figures relate to UC once fully implemented, which is not expected before 2018.

<sup>13</sup> The previously cited UC Impact Assessment identified four mechanisms through which UC is expected to reduce unemployment: increased financial incentives to work, greater simplicity and a smoother transition to work, more claimants brought into conditionality, and the Minimum Income Floor for self-employed claimants.



## 2.3 Other benefit reforms

Other reforms which are highlighted in *DWP's welfare reform agenda explained* include:

- **The Claimant Commitment** (introduced October 2013);
- **The Benefit Cap** (introduced April 2013);
- **The Welfare Benefits Up-Rating Act** (introduced from April 2013);
- **Housing Benefit** – changes including: caps on Local Housing Allowance rates; increasing the age threshold for the shared accommodation rate from 25 to 35, and the size criteria for social rented property (all introduced between April 2011 and April 2013); and
- **Personal Independence Payment** – replacing *Disability Living Allowance* (from April 2013).
- **The Work Programme** and **the Youth Contract** (introduced 2011 and 2012 respectively);
- Changes to **Child Maintenance**. The new Child Maintenance Service was introduced (from December 2012); and
- Abolition of the **Social Fund** (in April 2013).

Furthermore, a number of changes have been made to tax credits and Child Benefit, which are administered by HM Revenue & Customs. Although these elements of social security are not part of DWP's welfare reform agenda, reforms to tax credits represent a large proportion of the estimated spending reductions (as shown later in chart 2). More extensive lists of social security changes are available online, which typically show upwards of 20 reforms having taken place since 2010.<sup>14</sup>

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<sup>14</sup> For example:

- The Joseph Rowntree Foundation & New Policy Institute (2013), *Monitoring poverty and social exclusion 2013* (appendix). Available at: <http://www.jrf.org.uk/sites/files/jrf/MPSE2013.pdf>;
- TUC (2013), *Keeping up with the cuts*. Available at <https://www.tuc.org.uk/sites/default/files/Keepingupwiththecuts.pdf>; and
- New Policy Institute (2013), *Benefit changes and their estimated impacts*. Available at: <http://npi.org.uk/publications/social-security-and-welfare-reform/benefit-changes-and-their-estimated-impact/>.

### 3. What is being said about welfare reform?

A number of published reports have focused on the cumulative impact of reform to the social security system. This section provides an overview of the different approaches these reports have taken to analysis, and the various conclusions they have drawn.

We initially consider the more quantitative-based pieces of analysis, including the HM Treasury (HMT) distributional analysis which is based on micro-simulation of the population at a household level. We then consider analysis of a more qualitative nature.

#### 3.1 Quantitative-based analysis

##### 3.1.1 HM Treasury distributional analysis

The Government has published analysis of the cumulative impact of its policies since coming to power in 2010. This analysis is based on micro-simulation of the population, derived from responses to the Living Costs and Food Survey. The analysis is updated by HMT alongside fiscal events, with the most recent analysis published in March 2014 as a supplementary document to the Chancellor of the Exchequer's Budget.<sup>15</sup>

Chart 1, below, presents the latest HMT analysis of the cumulative impact of policy changes to tax credits and benefits, split by '*equivalised net income decile*'.<sup>16</sup> This includes the positive impact of changes to pension-age benefits, which are not the focus of this report. HMT present this alongside the impact of changes to tax and public service spending, which have been removed from Chart 1 for clarity.<sup>17</sup>

Chart 2 presents the impact of Universal Credit, which is also provided by HMT alongside fiscal events. This is presented in a separate chart due to the modelling being carried out separately, and the policy being introduced over a longer period. The Government's current planning assumption is for existing claimants to be migrated to Universal Credit by 2018. However, Chart 2 shows the impact of UC as if the transition were fully complete in 2014/15. In reality this impact will not be fully realised until the transition to UC has been completed.

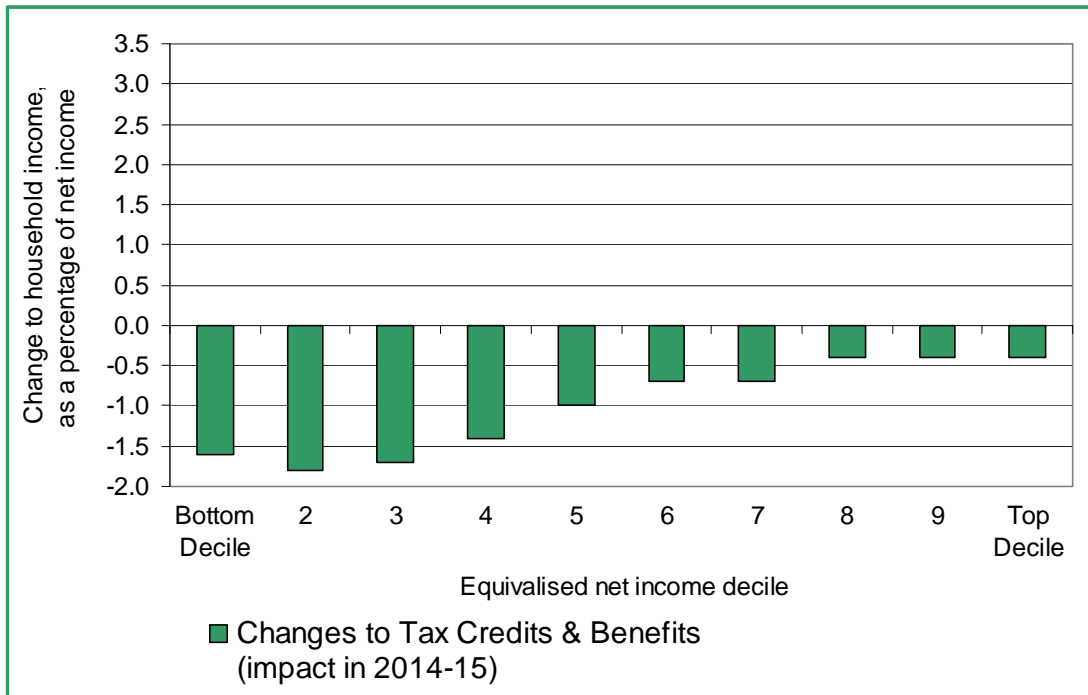
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<sup>15</sup> HM Treasury (2014), *Impact on households: distributional analysis to accompany Budget 2014*. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/293738/budget\\_2014\\_distributional\\_analysis.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293738/budget_2014_distributional_analysis.pdf)

<sup>16</sup> An explanation of equivalisation is available within the HM Treasury document (above). In short, the process adjusts household income to take account of the impact of household size and composition upon living standards.

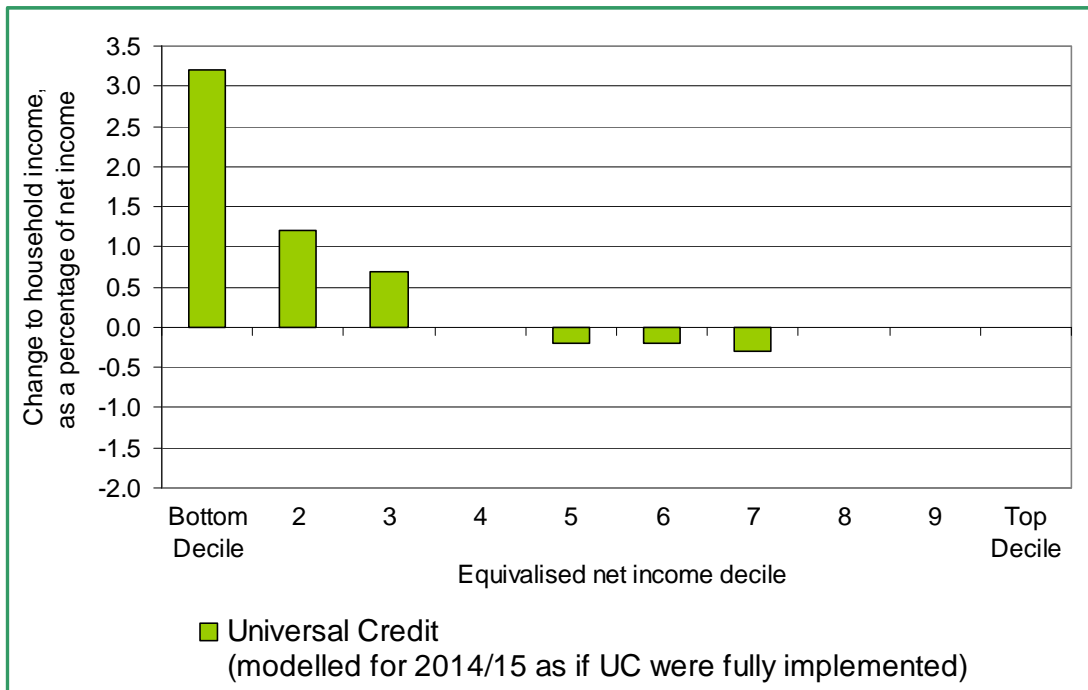
<sup>17</sup> The chart therefore does not capture the full effect of the Government's policies affecting household income. For example, working households may benefit from changes made to the personal tax allowance. However, this impact is not treated as welfare reform.

**Chart 1:** Cumulative impact of tax credit and benefit changes on households in 2014-15, as a percentage of net income.



Source – HM Treasury tax and benefit micro-simulation model.

**Chart 2:** Average impact of Universal Credit – modelled for 2014-15 as if fully implemented, as a percentage of net income.



Source – Department for Work and Pensions Policy Simulation Model. This reflects key entitlement changes and expected increases in take-up, but excludes anticipated reductions in the levels of fraud, error and overpayments. Modelling is based on entitlement to Universal Credit once fully implemented (i.e. not before 2018), and calibrated to published DWP and HMRC caseload forecasts.

Chart 1 shows that changes to tax credits and benefits (excluding Universal Credit) have had a negative impact upon claimant incomes across the income distribution, with the greatest impact being felt by those on lower incomes.

In contrast, Chart 2 shows that once Universal Credit is fully implemented it will be 'progressive' – with significant gains accruing to low income groups, and with higher income groups experiencing either no change or incurring losses (before transitional protection). However, within each income group there are likely to be particular groups who will gain, or lose, in comparison to the current system of benefits and tax credits.

Deven Ghelani (Policy in Practice) told us that:

*'Universal Credit itself, set apart from other welfare reforms, will have a net positive impact on relative income poverty through two strategies: increasing household incomes ('pockets') and strengthening work incentives ('prospects'). Most recent estimates find that through 'pockets' alone, UC will lift 250,000 children and 350,000 working-age adults out of poverty.'*<sup>18</sup>

**Deven Ghelani (Policy in Practice)**

Taken together, Charts 1 and 2 show that the overall impact of welfare reform, including Universal Credit, will be positive for only the bottom income decile. Even for this group, there is likely to be a significant wait before they are able to benefit from UC, as it is rolled-out.

Universal Credit is designed to effect behavioural change; in particular in encouraging workless households to enter employment. Such dynamic effects are not included in the analysis of Chart 2. However, they are analysed by the Institute for Fiscal Studies in their report 'Do the UK Government's welfare reforms make work pay', which is considered later in this report. Whilst financial incentives can be instrumental in encouraging claimants to work, or to increase their working hours, there are also many other factors which impact on whether or not claimants enter employment. For example, poor health, local labour markets, or access to transport. Furthermore, the additional returns to work provided by Universal Credit will vary according to circumstance with some claimants finding their take-home pay increased significantly while others will see little change (or in some cases a decrease).

### 3.1.2 Sanctions

There are further dynamic changes which are not included in the analysis of Charts 1 and 2, for example changes to sanction rules, which have coincided

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<sup>18</sup> Figures taken from the Government's response to a Parliamentary Question: Hansard reference 15 Jan 2013: Column 715W. Available at: <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130115/text/130115w0003.htm>

with an increase in sanction use.<sup>19</sup> Table 1 shows this rise in adverse sanction decisions for Jobseeker's Allowance (where a decision is made against the claimant and is applied), which has occurred since 2006.

**Table 1:** Adverse sanctions in year to September, 1999-2013<sup>20</sup>

Year to September	Adverse sanction decisions, JSA claimants (thousands)	Adverse JSA sanctions as proportion of JSA claimant count
2001	280	2.6%
2002	270	2.7%
2003	260	2.6%
2004	230	2.5%
2005	240	2.6%
2006	240	2.4%
2007	320	3.3%
2008	340	3.9%
2009	400	2.7%
2010	610	3.7%
2011	710	4.5%
2012	750	4.4%
2013	870	5.5%

**Department for Work and Pensions**

Sanctions can have positive impacts, ensuring that claimants meet the responsibilities associated with their social security entitlement, and acting as a disincentive to voluntary unemployment. However, the extent to which sanctions impact on claimant behaviour is contested.

A SSAC report on 'Sanctions in the benefit system' noted that, in order for sanctions to have an impact on claimant behaviour, claimants would need to 'fully understand their responsibilities and know how to modify their behaviour to avoid a sanction'.<sup>21</sup> The newly introduced 'Claimant Commitment' may have

<sup>19</sup> Information on changes to sanctions are available at:

<https://www.gov.uk/government/collections/jobseekers-allowance-sanctions>.

<sup>20</sup> DWP (2014), *Jobseeker's Allowance and Employment and Support Allowance sanctions, decisions made to September 2013*. Available at

<https://www.gov.uk/government/publications/jobseekers-allowance-and-employment-and-support-allowance-sanctions-decisions-made-to-september-2013>.

JSA claimant count figures taken from ONS (via Nomis – accessed on 31 March 2014).

<sup>21</sup> SSAC (2006), *Sanctions in the benefit system: evidence review of JSA, IS & IB Sanctions*. Page 61. Available at:

[http://ssac.independent.gov.uk/pdf/occasional/Sanctions\\_Occasional\\_Paper\\_1.pdf](http://ssac.independent.gov.uk/pdf/occasional/Sanctions_Occasional_Paper_1.pdf).

improved such understanding amongst claimants, as was suggested in interim results from the Universal Credit pathfinder evaluation.<sup>22</sup>

A study by Joseph Rowntree Foundation examined international evidence on the use of sanctions.<sup>23</sup> The study found that:

*Unemployment benefit sanctions in European systems have generally had positive effects on short-term outcomes: reducing unemployment duration and raising employment rates. However, leaving unemployment benefit earlier, prompted by sanctions, can result in poorer quality employment (lower earnings and instability).<sup>24</sup>*

Joseph Rowntree Foundation

The study also found that existing evidence on the effectiveness of sanctions has 'focused almost exclusively on the impacts of sanctions imposed, with a small number also looking at the impact of warnings of sanctions'.<sup>25</sup> The evidence base is therefore limited on the extent to which the threat of sanctions is successful in bringing about desired behaviours among claimants.

### 3.1.3 Other quantitative-based analysis

Whilst the HMT distributional analysis is informative about the impact of social security reform across different income groups, how the impact is distributed with respect to other significant characteristics is not in the scope of their analysis. For example, are reductions in benefit income disproportionately falling on those with a disability, on particular age groups, one or other gender, or within particular geographic regions?

A number of existing reports have attempted to address this. A selection of these are highlighted below.

### 3.1.4 The geographic distribution of impacts from welfare reforms

The Centre for Regional Economic and Social Research (Sheffield Hallam University) has looked at the geographic distribution of welfare reform across local authorities in England and Wales.<sup>26</sup> Further reports focus on the impact

<sup>22</sup> DWP (2013), *Universal Credit pathfinder evaluation: interim results from the Universal Credit claimant survey, wave 1*. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/263427/uc-report-final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263427/uc-report-final.pdf)

<sup>23</sup> Joseph Rowntree Foundation (2010), *A review of benefit sanctions*. Available at: <http://www.jrf.org.uk/publications/review-of-benefit-sanctions>. A summary of findings is available at: <http://www.jrf.org.uk/sites/files/jrf/conditional-benefit-systems-summary.pdf>.

<sup>24</sup> Ibid. (Summary – page 1).

<sup>25</sup> Ibid. Page 4.

<sup>26</sup> Centre for Regional Economic and Social Research (Sheffield Hallam University) (2013), *Hitting the poorest places hardest: the local and regional impact of welfare reform*. Available at: [http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest\\_0.pdf](http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf)

of welfare reform on Northern Ireland and on Scotland.<sup>27</sup> The methodology used was to take national cost estimates for each policy change and apportion it across local authorities on the basis of a range of factors, including the number of claimants, benefit spending and local/regional variations anticipated in the Government's own impact assessments.

The study of England and Wales finds an average impact of welfare reforms of £470 a year per adult, with this impact distributed unevenly across local authorities.

*Britain's older industrial areas, a number of seaside towns and some London boroughs are hit hardest. Much of the South and East of England outside London escapes comparatively lightly. [...] As a general rule, the more deprived the local authority, the greater the financial loss.*<sup>28</sup>

**Centre for Regional Economic and Social Research  
(Sheffield Hallam University)**

To some extent this conclusion naturally follows from looking at the impact per adult, as the most deprived local authorities can be expected to have the greatest proportion of adults claiming benefits. Such a measure is most relevant to assessing the cumulative impact of reforms on particular areas, as opposed to the impact on individual claimant households. The further study on Northern Ireland finds a '*financial loss..., per adult of working-age, ... substantially larger than in any other part of the UK.*'<sup>29</sup>

A similar methodology has been employed by the Centre for Economic & Social Inclusion (CESI), which was commissioned by the Local Government Association (LGA) to look at the geographic distribution of benefit reform across local authorities in England.<sup>30</sup>

The CESI report finds that '*average impacts per claimant are relatively evenly spread – with all regions except London seeing average losses between £1,500 and £1,650 per year*'<sup>31</sup> (excluding the impact of Universal Credit). These figures are significantly higher than those from the Centre for Regional Economic and Social Research, as they are presented as an impact per claimant, rather than per adult. The explanation for the relatively even spread

<sup>27</sup> Centre for Regional Economic and Social Research (Sheffield Hallam University) (2013): *The impact of welfare reform on Northern Ireland*, available at:

<http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/impact-welfare-reform-ni.pdf>; and *The impact of welfare reform on Scotland*, available at:

[http://www.scottish.parliament.uk/S4\\_Welfare\\_Reform\\_Committee/Reports/wrR-13-02w.pdf](http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Reports/wrR-13-02w.pdf)

<sup>28</sup> Ibid. Page 3.

<sup>29</sup> Ibid. Page 5.

<sup>30</sup> SSAC (2006), *Sanctions in the benefit system: evidence review of JSA, IS & IB Sanctions*. Available at:

[http://ssac.independent.gov.uk/pdf/occasional/Sanctions\\_Occasional\\_Paper\\_1.pdf](http://ssac.independent.gov.uk/pdf/occasional/Sanctions_Occasional_Paper_1.pdf)

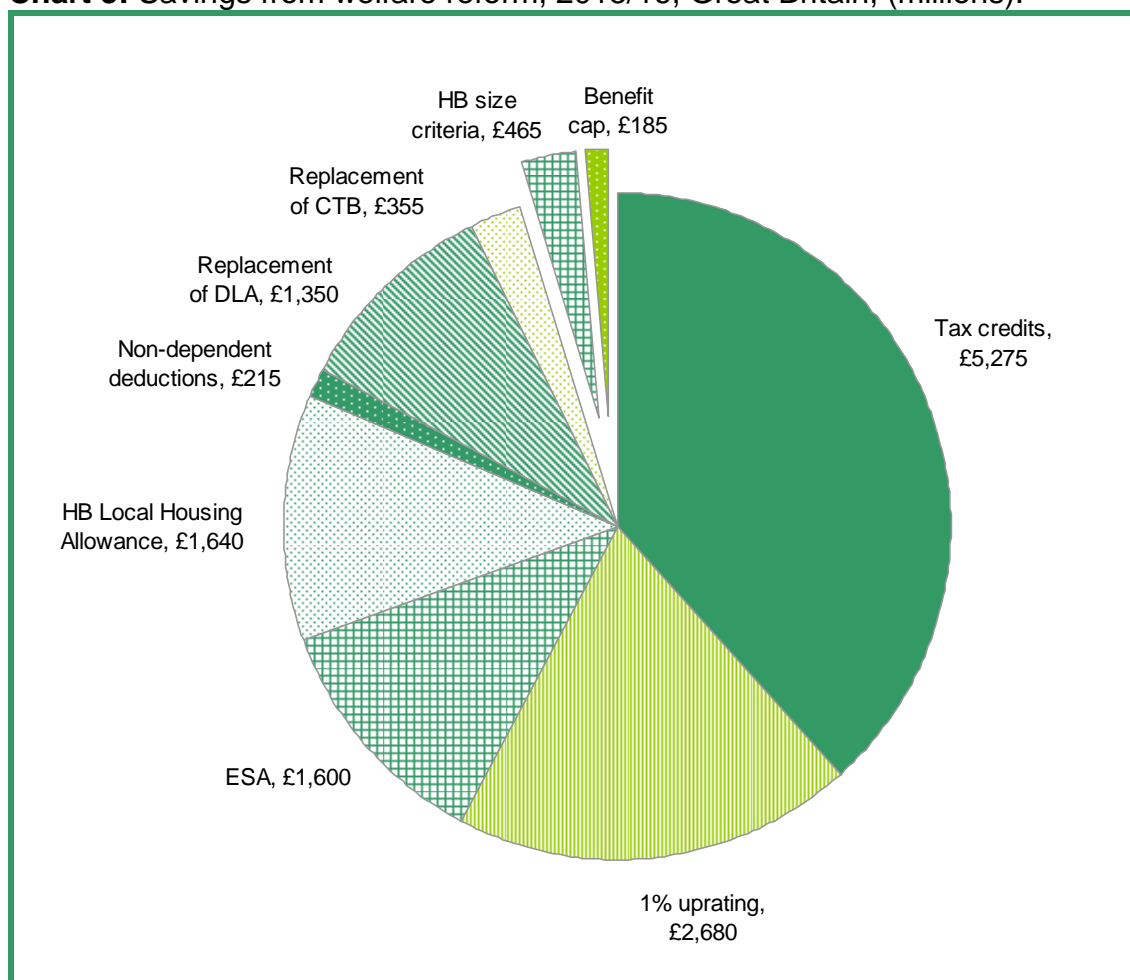
<sup>31</sup> The Centre for Economic & Social Inclusion (2013), *The local impacts of welfare reform: an assessment of cumulative impacts and mitigations*. Page 5.

of impacts is that a larger average impact due to Housing Benefit changes occurs in the south, but that this is balanced by a larger average impact due to changes in out-of-work and low-income support in the north. The impact in London is higher because of high levels of both benefit receipt and housing costs. With an average impact per claimant being fairly consistent across the country, differences in impact across areas are due to the relative proportion of residents who claim benefits.

The CESI report makes two points of particular relevance here – on media coverage, and on work incentives.

The report makes the point that whilst media coverage has focused on the benefit cap and on the size criteria for the social rented housing, these policies will deliver less than five percent of the savings from reform in 2015/16. This is illustrated in chart 3:

**Chart 3:** Savings from welfare reform, 2015/16, Great Britain, (millions).



Source – Centre for Economic & Social Exclusion (2013).



On work incentives, the CESI report estimates that:

*'three fifths (59 per cent) of all welfare reform reductions fall on households where somebody works. Indeed the reductions for working households are greater than the reductions for households where no one works in 314 of the 325 Local authorities...'*<sup>32</sup>

**Centre for Economic & Social Inclusion**

This is attributed to the changes to tax credits, and to changes that affect both in- and out-of-work households such as changes to up-rating. This finding might be partially caused by the methodology used for apportioning the impact of Universal Credit.

The Welsh Government has also looked at the geographic impact of welfare reforms (for Wales), and estimate the average annual loss per working-age adult to be around £500 in 2015/16.<sup>33</sup> The report finds the most significant reforms in terms of national-level impact are changes to uprating, migration from DLA to PIP, and the time-limiting of contribution-based ESA. In contrast, changes to Housing Benefit and the introduction of the Benefit Cap are found to be less significant. The negative impact of welfare reform is found to be most pronounced in the areas of North Port Talbot, Blaenau Gwent and Merthyr Tydfil – the areas with the highest claimant rates of working-age benefits. These findings accord with those from the CESI and Sheffield Hallam University reports.

Alongside their report on the impact of welfare reform, the Welsh Government stated:

*... Wales will see a total loss of income of around £930 million a year by 2015/16 as a result of Westminster's plans for social security. There will also be wider knock-on impacts on the economy as people have less to spend in their local communities.*<sup>34</sup>

**Welsh Government**

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<sup>32</sup> Ibid. Page 5.

<sup>33</sup> Welsh Government (2014), *Analysing the impact of the UK Government's welfare reforms in Wales*. Available at: <http://wales.gov.uk/topics/people-and-communities/welfare-reform-in-wales/publications/analysingreforms/?lang=en>. Page 3.

<sup>34</sup> Welsh Government (2014), *UK Government welfare cuts to take hundreds of pounds out of Welsh adults' pockets*. Available at: <http://wales.gov.uk/newsroom/communities/2014/140217-welfare-cuts/?lang=en>

However, the total impact of social security reforms upon income might best be considered alongside other changes made by the Government, such as changes to income-tax policy. These changes are typically not taken into account when looking at the impact of social security reforms, though they may have mitigating effects (in this case for in-work claimants paying income-tax).

The three pieces of analysis (above) have employed a similar methodology to analyse the geographic distribution of impacts from welfare reform. This methodology does not account for any 'dynamic' impacts of welfare reform, which might include behavioural change among claimants (for example entering or increasing employment, or moving to lower cost housing) or changes to economic growth.

### 3.1.5 Financial work incentives

The Institute for Fiscal Studies (IFS) has also looked at how reform of the benefits system has impacted on financial work incentives, whilst taking account of changes to the UK economy.<sup>35</sup> The economic backdrop to reform is important because, if benefit and tax credit payments were to increase in line with inflation and with inflation rising faster than earnings, the returns from work are likely to become less attractive in relation to benefits.

The IFS has undertaken analysis using microsimulation, based on the Family Resources Survey. One of the key measures they used in summarising work incentives is the replacement rate: the proportion of working income which households would receive if not working. They find that, in the absence of reform, with payments rising in line with inflation, lower real earnings would increase the average replacement rate from 55.3% in 2010-11 to 57.0% in 2015-16 – which represents a decreased incentive to work. Adding in the effects of benefit reform, the replacement rate falls to below its original position: to 54.3% excluding UC, and 53.6% including UC.<sup>36</sup> Thus whether or not the impact of Universal Credit is included, the reforms have had the effect of increasing incentives to work (and UC will further improve this incentive).

The IFS report finds the impact of Universal Credit to be:

*[a] strengthening of incentives to be in work - a notable achievement given that it is broadly revenue-neutral and distributionally neutral. But the strengthening [of work incentives] is predominantly caused by reductions in the generosity of [other] means-tested benefits....<sup>37</sup>*

**Institute for Fiscal Studies**

<sup>35</sup> IFS (2013), *Do the UK Government's welfare reforms make work pay?* Available at: <http://www.ifs.org.uk/publications/6853>

<sup>36</sup> Under the modelling assumption that UC is fully implemented before 2015/16.

<sup>37</sup> Ibid. Page 3.

The IFS also notes that these modest changes in average rates conceal more significant increases and decreases in financial work incentives for individual households – depending on circumstances. In particular, incentives have been strengthened for the first earner in a household, in comparison to other groups.

### 3.1.6 Impact of reform on disabled people

Analysing the cumulative impact for disabled people using microsimulation (in line with HMT distributional analysis) is particularly challenging. This is due to assumptions being required to model how claimants will be affected following assessments for the newly introduced disability-related benefits. Furthermore, there are multiple disability benefits, components and rates – resulting in a large number of potential combinations for receipt of disability benefits. As microsimulation is based on survey responses, the ensuing analysis becomes unreliable as the combinations increase, and the respondents within each category falls.

However, the cumulative impact of reforms to the benefits system on disabled people are particularly important to understand. This is because:

- households receiving disability-related benefits are likely to be receiving a combination of benefits simultaneously. Different reforms may therefore successively reduce household income, with impact analysis of each reform not reflecting the situation the household faces as a result;<sup>38</sup> and
- those receiving disability-related benefits are, in general, less able to enter work, or move to lower cost housing, as a response to lower social security payments. Some disabled claimants will simply be unable to enter paid work.<sup>39</sup>

*Disabled people are most vulnerable to this accumulation of cuts simply because they are more likely to rely on several benefits and several public services.<sup>40</sup>*

**Demos / Scope**

<sup>38</sup> For example, recent research by DWP found that of those claiming Employment and Support Allowance (ESA) and placed in the Work-Related Activity Group, 50% also claimed either Disability Living Allowance (DLA) or Personal Independence Payment (PIP). For those placed in the Support Group of ESA, 66% also claimed either DLA or PIP. Data is taken from table 5.9 of DWP (2013), *A survey of disabled working age benefit claimants*. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/224543/ihr\\_16\\_v2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224543/ihr_16_v2.pdf)

<sup>39</sup> Ibid. Table 5.21. This survey of disabled claimants found that of those claiming ESA and placed in the Work-Related Activity Group, only 14% agreed that they were currently able to work. For those places in the Support Group of ESA, only 6% agreed that they were currently able to work.

*Inclusion Scotland also believe that it is less likely that households containing a disabled adult or child will be willing to move to smaller tenancies as this might mean moving away from informal support networks, carers, adapted properties, etc. Thus disabled people and their families will be less able to avoid the penalties of under-occupation. We therefore believe that the estimates for those falling into arrears and eventually being evicted should be revised upward.<sup>41</sup>*

**Inclusion Scotland**

Inclusion Scotland has called for the Government to produce further analysis of cumulative impact 'to determine the profile and numbers of those most likely to be worst affected'.<sup>42</sup> This is a view supported by DEMOS, who have called for Government to produce a cumulative impact assessment to show the impact of reforms on disabled people.<sup>43</sup>

*[I]t is critical that it [a cumulative impact assessment] is attempted. Individual Impact Assessments are all well and good when making a single policy change here and there, but when dozens of changes are underway simultaneously – 18 Impact Assessments were issued for the Welfare Reform Bill alone – this piecemeal approach is both inadequate and misleading.<sup>44</sup>*

**DEMOS**

Furthermore, a number of MP's have added their support, following an e-petition which called for 'a cumulative impact assessment of all cuts and changes affecting sick and disabled people'.<sup>45</sup> This support drew attention to analysis from The Centre for Welfare Reform<sup>46</sup> which suggested that a wide range of Government reforms were having a disproportionate and negative impact on disabled people.

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<sup>40</sup> Demos / Scope (2012), *Destination unknown: Summer 2012*. Page 17. Available at: [http://www.scope.org.uk/sites/default/files/pdfs/destination\\_unknown\\_report\\_summer\\_2012.pdf](http://www.scope.org.uk/sites/default/files/pdfs/destination_unknown_report_summer_2012.pdf)

<sup>41</sup> Inclusion Scotland (2012), *Cumulative impacts of welfare reform & the risk of homelessness*. Available at: <http://www.inclusionscotland.org/reports.asp>

<sup>42</sup> Ibid.

<sup>43</sup> Demos / Claudia Wood (2013), *Destination unknown* (blog post). Available at: <http://www.demos.co.uk/blog/destinationunknownapril2013>

<sup>44</sup> Ibid.

<sup>45</sup> Hansard (2014), *Backbench Business debate on welfare reform (sick and disabled people)*. Available at: <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140227/debtext/140227-0001.htm#14022773000001>.

<sup>46</sup> The Centre for Welfare Reform (2014), *Counting the cuts*. Available at: <http://www.centreforwelfarereform.org/uploads/attachment/403/counting-the-cuts.pdf>

It should be noted that the benefit cap is one reform which will not apply to the majority of households claiming a disability-related benefit.<sup>47</sup> Furthermore the below inflation uprating of benefits, introduced in the Welfare Benefits Up-Rating Act, will not apply to disability-related premia, the support component of Employment and Support Allowance, or the disability elements of tax credits.<sup>48</sup>

### 3.1.7 Alternative measures of impact

Inclusion Scotland's contention that benefit reforms will lead to higher levels of rent arrears and evictions highlights another possible avenue for analysis, which was raised in consultation with stakeholders. The recommendation is that the impact of benefit and tax credit changes on claimants might best be seen, not through modelled changes to income, but by looking at the (unintended) consequences of reform. For example, by examining available data on consequential changes in:

- food bank use;
- evictions;
- county court judgements;
- levels of poverty (either relative or absolute);
- entering employment, and
- other social-security off-flows.

Though this is a potential avenue for future research, it would be difficult to isolate the impact of welfare reforms from other broader changes, including the performance of the economy. For example, in relation to food bank use, the Trussell Trust have found that *'more people are being referred to foodbanks with benefit related problems since April's [2013] welfare reforms'*.<sup>49</sup> However the Minister for Welfare Reform has stated that the provision of food bank support had grown substantially in the preceding two years, and attributing a causal link between reforms and food bank use is therefore problematic.<sup>50</sup> Furthermore, food banks are now being signposted in Jobcentre Plus offices, which is likely to have increased take-up of this provision.<sup>51</sup> A recent report from DEFRA acknowledges the uncertainty over

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<sup>47</sup> The cap will not apply to benefit units where at least one person is receiving Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefits or the support component of Employment and Support Allowance. Further information on the benefit cap can be found at: <https://www.gov.uk/benefit-cap>.

<sup>48</sup> DWP (2013), Welfare Benefits Up-Rating Bill: Impact Assessment. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220198/welfare-benefits-up-rating-bill-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220198/welfare-benefits-up-rating-bill-ia.pdf)

<sup>49</sup> Trussell Trust (2013), *Increasing numbers turning to foodbanks since April's welfare reforms*. Available at: <http://www.trusselltrust.org/resources/documents/Press/Increasing-numbers-turning-to-foodbanks-since-Aprils-welfare-reforms.pdf>

<sup>50</sup> House of Lords (2013), question on food banks (2<sup>nd</sup> July 2013). Available at:

[http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130702-0001.htm#st\\_5](http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130702-0001.htm#st_5)

<sup>51</sup> House of Commons (2013), Environment, food and rural affairs oral questions (4<sup>th</sup> July 2013). Available at:

[http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130704/debtext/130704-0001.htm#130704-0001.htm\\_spnew131](http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130704/debtext/130704-0001.htm#130704-0001.htm_spnew131)

the causes leading to the increased use of food banks, but does draw from the claims of 'national charities and NGOs, and local level research':<sup>52</sup>

*The reasons which are currently being reported ... as leading people to seek food aid ... include (in order of ranking by the sources): loss of, reductions in or problems associated with, social security benefit payments; low income; indebtedness; and homelessness.*<sup>53</sup>

**DEFRA**

In relation to the impact of reforms on poverty rates, the Institute for Fiscal Studies has predicted rising levels of both absolute and relative poverty in the UK between 2010 and 2020.<sup>54</sup> The report finds that, the overall impact of the Government's changes to personal tax and Social Security will be to significantly increase levels of poverty: by 600,000 in 2020-21 using a relative poverty measure; and one million using an absolute measure. Reforms introduced since the publication of the report have further reduced the uprating of benefits and tax credits, meaning these estimates are likely to be conservative.<sup>55</sup>

*Considered in isolation, Universal Credit should reduce relative poverty significantly (by 450,000 children and 600,000 working-age adults), but this reduction is more than offset by the poverty-increasing impact of the government's other changes to personal taxes and state benefits. The most important of these other changes for poverty in 2020-21 is that benefits, including the Local Housing Allowance from April 2013, will now be indexed in line with the consumer price index (CPI) measure of inflation, rather than one derived from the retail price index (RPI).*<sup>56</sup>

**Institute for Fiscal Studies**

(published in 2011, prior to further changes to the uprating of benefits and tax credits)

<sup>52</sup> DEFRA (2014), *Household food security in the UK: a review of food aid*. Page 30. Available at: <https://www.gov.uk/government/publications/food-aid-research-report>

<sup>53</sup> Ibid.

<sup>54</sup> IFS (2011), *Child and working-age poverty from 2010 to 2020*. Available at: <http://www.ifs.org.uk/publications/5711>. The measures of poverty used are those defined in the Child Poverty Act (2010). 'Relative poverty' occurs where a household's equivalised income is below 60% of the median income in that year. 'Absolute poverty' occurs where a household's equivalised income is below 60% of the median income from 2010/11, adjusted for inflation. Further details are provided in the report.

<sup>55</sup> More recent analysis has been produced for Northern Ireland: *Child and working-age poverty in Northern Ireland from 2010 to 2020*. Available at:

<http://www.ifs.org.uk/comms/r78.pdf>

<sup>56</sup> Ibid. Page 3.

### 3.2 Qualitative-based analysis

An alternative approach to demonstrating the cumulative impact of welfare reform is through illustrative case-studies, which can be either hypothetical, or based on actual claimant experiences. The latter option has been a focus of media coverage, which tends to target the more extreme and negative cases – in order to present the most remarkable narrative. Such cases are naturally concerning, however they do not reflect the typical experience of social security reform. Claimant experiences might, however, also be investigated through social research, which can take a more representative approach to the range of claimant experiences (both positive and negative).<sup>57</sup> This might entail a collection of case studies showing the impact of reform upon modelled families in different circumstances. Demos and Scope have argued for such an approach to be employed by Government, in a recent joint report:

*... the Government's impact assessments should not just consider the aggregate impact of one cut – but also should look at the individual impact of several cuts with typical households being used as case studies to model the interaction of several different reforms. It is clear the traditional impact assessment is only fit for purpose when one reform is being implemented at a time. It is wholly inappropriate when applied to a comprehensive agenda of reforms spanning welfare and local services. .<sup>58</sup>*

**Demos / Scope**

This case-study approach has been employed by organisations on a small scale to illustrate the potential impact of welfare reforms. For example:

3.2.1 The **Church Urban Fund** and **Church of England** have utilised two hypothetical case studies to illustrate the impact of recent changes to both social security and tax policy.<sup>59</sup> The analysis is based on a spreadsheet model that simulates the tax-benefit system. It recognises the Government's aim of influencing claimant behaviour (encouraging work and/or reviewing their accommodation requirements), and therefore includes the choices facing their example claimants where relevant.

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<sup>57</sup> For example, Community Links have undertaken research on the cumulative impact of welfare reform in the London Borough of Newham (Community links (2014), *Tipping the balance?*. Available at:

<http://www.community-links.org/our-national-work/publications/tipping-the-balance/>

<sup>58</sup> Demos / Scope (2012), *Destination unknown: Summer 2012*. Page 18. Available at: [http://www.scope.org.uk/sites/default/files/pdfs/destination\\_unknown\\_report\\_summer\\_2012.pdf](http://www.scope.org.uk/sites/default/files/pdfs/destination_unknown_report_summer_2012.pdf)

<sup>59</sup> Church Urban Fund & Church of England (2013), *It all adds up: the cumulative impact of welfare reform*. Available at: <http://www.cuf.org.uk/welfare-reform-add-up>

### *Case study #1*

The first case study imagines a single-earner couple with three children, and a disposable income in 2010-11 of £23,410. This income is derived from: earnings, Child Benefit and tax credits. The family also receives Housing Benefit.

In the following years, the family's real income increases due to an increase in the personal tax allowance and a freeze in Council Tax. At the same time, it decreases due to: a higher Tax Credit taper, lower uprating of benefits and Tax Credits<sup>60</sup> (including uprating lower than inflation) and the abolition of the £15 a week excess for tenants with rents lower than their maximum entitlement. These reforms lower the family's total disposable income to £20,480 in 2015-16 – a decrease of 13%. The family considers moving to Ipswich, where housing costs are lower, and the possibility of the non-working partner entering work. But in both cases they consider the small amount of income they would gain to be an insufficient motivation to make the changes.

The family can expect their total disposable income to increase by an estimated £1,700 per year when it migrates to Universal Credit (assumed to be in 2016-17). At this point their income will still be 5% below the initial 2010-11 level, though they will benefit from greater flexibility and greater incentives to undertake further work.

### *Case study #2*

The second case study imagines a single, disabled man, with a disposable income of £5,340 from Incapacity Benefit (an 'out-of-work' benefit). He also receives Housing Benefit and Council Tax Benefit. In the following years, the claimant is assessed for Employment and Support Allowance, which is replacing IB. Having been found fit for work, he is transferred to Jobseeker's Allowance, which reduces his income significantly. He is moved onto the Work Programme to receive intensive employment support. His income is further reduced due to lower real uprating, the HB size criteria<sup>61</sup> and the localisation of Council Tax Support. His income is estimated to fall to £3,000 in 2015/16 – a decrease of 44%.

The claimant cannot expect to gain financially from the move to Universal Credit, though he will now need to manage his finances on a monthly basis. Given his low income, this may prove difficult.

**Source of studies: Church Urban Fund**

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<sup>60</sup> Including uprating lower than inflation.

<sup>61</sup> The claimant is receiving intensive support from the Work Programme, and so is not benefiting from additional income from work. He is affected by the HB size criteria as it is assumed that there are no one bedroom properties in his area, and that he would find moving to a new town to be overly destabilising.



**3.2.2 Contact a Family** also takes a hypothetical case-study approach, to show the potential impact of social security reform for families with disabled children.<sup>62</sup> Their case studies highlight the range of benefits and tax credits which someone with a disabled child might claim simultaneously.

#### *Case study #3*

This is a case study of a lone parent family with two children, one of whom is disabled. The family receives Disability Living Allowance, at the middle rate for personal care, and the higher rate for mobility. They also receive Carer's Allowance, Income Support, Child Tax Credit (including a disabled child element), Housing Benefit and Council Tax Benefit. The family's income decreases following the end of transitional protection for the Local Housing Allowance rules, and due to the localisation of Council Tax Support. After being transferred to Universal Credit (at some point after 2014), and losing transitional protection following a change of circumstances, the disabled child element received is reduced from £53.62 to £26.75 per week.

#### *Case study #4*

This is a case study of a couple with two children, the younger of whom is disabled. Both partners are working. The family receives Disability Living Allowance, at the middle rate for personal care. They also receive tax credits (including childcare and disabled child elements), and Housing Benefit. The family pays for childcare for the disabled child only, and they receive state support for 89.5% of these costs – through Working Tax Credit, and through an earnings disregard within Housing Benefit.

Upon moving to Universal Credit the family will have 'transitional protection', but over time this top-up payment will be eroded by inflation. However, a family in the same circumstances who make a first claim after the introduction of Universal Credit would be comparatively worse off. This is due to a reduction in the disabled child element (as in the previous case study), and a lower proportion of childcare costs supported under Universal Credit.

**Source of studies: Contact a Family**

As these examples highlight, case-studies can show how the Government's welfare reforms will impact upon particular cases and groups. This can be in terms of incomes, or the choices faced by a household. However, in focusing

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<sup>62</sup> Contact a family (2012), *The cumulative effect – the impact of welfare reform on families with disabled children now and for future generations to come*. Available at: [http://www.cafamily.org.uk/media/756575/cumulative\\_impact\\_universal\\_credit\\_briefingupdate\\_dnov2013.pdf](http://www.cafamily.org.uk/media/756575/cumulative_impact_universal_credit_briefingupdate_dnov2013.pdf)

on particular cases, there is a risk that less severe and/or more representative cases may be overlooked.

#### 4. What is Government saying in response?

The Government has been asked to provide analysis of the cumulative impact of welfare reform on a number of occasions. For example, a recent Parliamentary Question asked for a review of the 'decision not to carry out a cumulative impact assessment on the effect of welfare reform on people with a disability'.<sup>63</sup>

In response to the previously cited Parliamentary Question, the Government stated:

*The Government regularly produces analysis of the cumulative impact of all coalition changes, including welfare, on households across the income distribution. This information is produced by the Treasury and is published alongside every Budget and Autumn Statement, in the interests of transparency. The previous Government did not provide this type of analysis.*

...

*Distributional analysis is provided for the whole population on the basis of household income and household expenditure. However this is not disaggregated to the level of household characteristics such as disability status or lower level geographies. No organisation is able to do this robustly.*

...

*The Government currently has no plans to undertake a review or change the decision on cumulative impact assessments.*<sup>64</sup>

**Minister of State for Disabled People,  
Department for Work and Pensions**

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<sup>63</sup> Hansard (2014), *Written answers: Social Security Benefits: Disability* (Hansard reference: 9 Apr 2014: Column 299W-300W). Available at: <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140409/text/140409w0003.htm#1404103000153>

<sup>64</sup> Ibid.

The government gave a similar response to an e-petition which called for a cumulative impact assessment to be produced, alongside a 'New Deal for sick and disabled people based on their needs, abilities and ambitions'.<sup>65</sup>

In response to the previously cited e-petition, the Government stated that it:

*Is limited in what cumulative analysis is possible because of the complexity of the modelling required and the amount of detailed information on individuals and families that is required to estimate the interactions of a number of policy changes. ... Because the ... analysis is so complex, it is not robust enough to break down by family type – so impacts on disabled people cannot be shown separately.*<sup>66</sup>

**Department for Work and Pensions**

Having collected more than 100,000 signatures, this e-petition was selected for debate in Parliament, where the Minister of State for Disabled People reiterated this response:

*On the call for a cumulative assessment, I am not going to say to the shadow Minister that previous Administrations did not do that – although they did not but there was a reason why and it is very complex, and the Institute for Fiscal Studies has also said that that could not be done properly and accurately enough. I hope the shadow Minister and others will understand why, although the Treasury carries out independent reviews of different parts of Government policy, it does not do that. I respect the work done in other reports, but they are not cumulative in the way we would like.*<sup>67</sup>

**Minister of State for Disabled People,  
Department for Work and Pensions**

In a separate debate, the Minister highlighted a need to balance the interests of those in employment with those who are on [out of work] benefits. He further highlighted the support the Government is giving to disabled people to help them enter work:

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<sup>65</sup> E-petition – *We call for a cumulative impact assessment of welfare reform, and a new deal for sick and disabled people based on their needs, abilities and ambitions.* Government response. Available at: <http://epetitions.direct.gov.uk/petitions/43154>

<sup>66</sup> Ibid.

<sup>67</sup> Hansard (2014), *Backbench Business debate on welfare reform (sick and disabled people)*. Available at: <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140227/debtext/140227-0001.htm#14022773000001> .

*We need to ensure that we have fairness in the [welfare] system. ... It has to be fair to the people who are working and to those who are on benefit.*<sup>68</sup>

**Minister of State for Disabled People,  
Department for Work and Pensions**

*In many ways, welfare reform can have a beneficial effect on people, particularly those who have been out of work for a considerable amount of time and, thinking of my portfolio, those who have disabilities or long-term illnesses and have not been able to get back into work. For instance, the Access to Work programme is often the key to getting those people back in to work.*<sup>69</sup>

**Minister of State for Disabled People,  
Department for Work and Pensions**

The Government has further added, at various points in time, the following statements in response to Parliamentary Questions on the cumulative impact of welfare reform:

- Producing a cumulative impact assessment for disabled groups is not desirable as the information provided would be inaccurate.<sup>70</sup>
- Policy changes will be implemented at different times up to 2017/18, on a benefit caseload which is dynamic. Survey data is insufficient to model this as, for example, it cannot foresee who will be eligible for higher or lower rates of particular benefits following a new medical assessment.<sup>71</sup>
- The impact of changes on households cannot be seen in isolation. The tax and public spending decisions Government makes also affects take-home income of households and their living standards.<sup>72</sup>

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<sup>68</sup> Hansard (2014), *Backbench Business Committee debate on welfare reforms and poverty*. HC Deb, 27 February 2014, c423 Available at:

<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140113/debtext/140113-0003.htm#14011328000001>

<sup>69</sup> Ibid.

<sup>70</sup> Hansard reference HC Deb, 10 July 2013, c443. Available at:  
<http://www.theyworkforyou.com/debate/?id=2013-07-10c.443.0>

<sup>71</sup> Hansard reference HC Deb, 15 April 2013, c247W. Available at:  
<http://www.theyworkforyou.com/wrans/?id=2013-04-15b.151062.h&s=%22cumulative+impact%22+welfare#g151062.q0>

<sup>72</sup> Hansard reference HC Deb, 17 December 2013, c581W. Available at:  
<http://www.theyworkforyou.com/wrans/?id=2013-12-17a.178743.h&s=%22cumulative+impact%22+welfare#g178743.r0>

In summary, the Government has stated its belief that modelling difficulties prevent it from producing a cumulative impact assessment of welfare reform which is sufficiently robust to be published. In particular, the outcome of medical assessments – used in migrating claimants to reformed disability-related benefits – cannot be inferred from the survey data upon which the Government’s modelling is based.

## 5. Conclusions and recommendations

In reviewing existing analysis on the cumulative impact of welfare reform it was found that:

- some overall assessments of impact already exist, in particular for impacts across the income distribution, and across geographic areas. These impacts are largely negative, as they focus on the direct and immediate effect of reforms upon incomes, rather than any employment or behavioural effects, and because the potentially positive effects of UC are yet to be introduced on a national scale;
- qualitative analysis can provide a more detailed understanding of the impacts felt by households with particular characteristics (for example by employing illustrative case studies). Case studies have been produced by a range of organisations focusing on areas of particular concern. However these case studies do not show the full range of impacts arising from welfare reform across different types of household; and
- particular focus has been drawn to the cumulative impact of welfare reform on disabled people. This is because they are both more likely to be claiming multiple benefits, and less likely to be able to change their behaviour to mitigate the impact of reforms.

However, whilst the immediate impact on claimant income is often negative, the Government's programme of welfare reform is also intended to bring about longer-term positive impacts. Such longer term impacts include changes in claimant behaviour. Existing analysis has shown how reforms to social security have improved incentives to undertake employment. Yet it is in many ways too soon to assess the consequential impact of these improved work incentives on claimant behaviour.



### Recommendation 1:

The Government's own analysis of the distributional impact of welfare reform, shown in Charts 1 and 2 on page 10 of this report, employs microsimulation of the population to estimate the impact of reforms on households. However the published findings are limited to showing the effects of reform across the household income distribution.

Whilst recognising the significant challenges involved in modelling the impacts of reform upon people with a disability, SSAC does not believe that such methodological problems are insurmountable to the extent that headline findings cannot be produced, given appropriate modelling assumptions. A similar approach might be taken to that of the most recent Universal Credit

Impact Assessment, which provides average impacts for households which include a disabled person, and those which do not. This is not an ideal solution, as taking disabled people as a single group will not distinguish between people with very different levels of ability. However it would provide information on the broad allocation of resources between claimants with disabilities and others. Results might also be provided as a range – representing alternative modelling assumptions.

**We recommend that the Government produces further secondary analysis of the datasets behind Charts 1 and 2, bringing together the cumulative impact of welfare reform on vulnerable groups such as disabled people, and with the findings published within six months.**



### Recommendation 2:

Case studies showing the cumulative impact of welfare reform on particular (model) families have been produced both within the media, and by interest groups. Government could add significant value by providing a wider range of such case studies – ensuring that a more complete set of representative cases are considered. Further value could be added by identifying the number of households affected in a similar manner alongside each case study. This analysis might be produced by DWP itself, or commissioned from a suitable external organisation.

**We recommend that DWP provide a range of case study examples of the cumulative impact of welfare reform, to sit alongside further quantitative analysis. Such examples, based on model households, would illustrate how the effect of individual reforms might accumulate for particular claimant groups (in terms of their income and their behavioural choices).**



### Recommendation 3:

Social research might also be employed to further understand the impact of successive social security reforms. Hereby a range of methods would be employed to better understand the experience of affected claimants, including: surveys, interviews or focus groups. Such analysis could take the form of an evaluation of the Government's programme of reform, and should consider both its positive and negative impact. Positive impacts might include entering work, or moving to lower cost accommodation to reduce living costs. Negative impacts might include lower incomes and any associated consequences.

**We recommend that DWP consider extending its forthcoming evaluation of Universal Credit so as to also evaluate the impact of its wider programme of welfare reform.**



**Recommendation 4:**

It may be that more extensive analysis and/or evaluation of the cumulative impact of welfare reform would highlight a disproportionate impact upon particular client-groups. Were this to be the case, DWP may wish to take action by way of mitigation.

**We recommend that, following further analysis of the impact of welfare reform, DWP consider whether there have been any cumulative impacts on vulnerable claimant groups that need to be mitigated.**



## Annex A Literature consulted

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## **Annex B      Stakeholders consulted**

The following organisations have been consulted in producing this report, either by providing input directly, or though contributing at a SSAC stakeholder event.

Centre for Economic and Social Inclusion  
Department for Work and Pensions  
The Disability Benefits Consortium  
HM Treasury  
Institute for Fiscal Studies  
Leonard Cheshire Disability  
National Council of Voluntary Organisations  
Resolution Foundation  
Rightsnet  
Sheffield Hallam University  
Welsh Government

## Annex C

## Membership of the Social Security Advisory Committee

Paul Gray (Chair)  
Les Allamby\*  
John Andrews  
Simon Bartley  
Adele Baumgardt  
John Ditch\*  
Keith Faulkner  
Colin Godbold  
Chris Goulden\*  
Matthew Oakley \*  
Nicola Smith\*  
Diana Whitworth  
Jim McCormick<sup>73</sup>

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