Household Benefit Cap

Equality impact assessment

October 2011

Department for Work and Pensions

Equality impact assessment for household benefits cap

Brief outline of the policy or service

1. From 2013 the Government will introduce a cap on the total amount of benefit that working-age people can receive so that households on out of work benefits will no longer receive more in benefit than the average weekly wage earned by working households. The cap will apply to the combined income from the main out-of-work benefits (Jobseeker's Allowance, Income Support, and Employment Support Allowance) and other benefits such as Housing Benefit, Child Benefit and Child Tax Credit, Industrial Injuries Disablement Benefit, Carer's Allowance (unless a member of the household is entitled to Disability Living Allowance, Personal Independence Payment, Attendance Allowance or Constant Attendance Allowance). One-off benefits (for example Social Fund Loans) and non-cash benefits (for example Free School Meals) will not be included in the assessment of benefit income. In Work Credit, which can be paid to lone parents, and Return to Work Credit, which can be paid to those leaving incapacity benefits, are intended to act as work incentives and so will also not be included when calculating benefit income.
2. In the first instance this cap is likely to be delivered by Local Authorities as part of the administration of Housing Benefit payments. In the long term it will be administered as part of the new Universal Credit system.
3. The Government has announced that in order to promote fairness between those in work and those receiving benefits, from 2013, benefit payments for individual households will be capped at around the average earned income after tax and National Insurance for working households. We estimate that the cap will be set at £350 a week for households of a single adult with no children; and at £500 a week for couple and lone parent households.
4. Approximately 50,000 households stand to receive lower benefit payments as a result of the cap, subject to their circumstances and eligibility for transitional protection. The cap will only apply to working-age benefits and will not impact on single people or couples who have both reached the age to qualify for State Pension Credit. Households which include a member who is in receipt of Working Tax Credit (WTC) will be excluded from the cap. This will increase the incentive for people to find employment because once they are in receipt of WTC their benefits will no longer be subject to the cap. Once customers have been migrated to or have claimed Universal Credit, WTC will no longer be available to them and another measure of being 'in work' will be applied. The Department is still considering the best definition for this. In addition, to the exemption for those in work, all households which include a member, including a child, receiving

Disability Living Allowance or Constant Attendance Allowance will be exempt from this measure. This is in recognition of the extra costs disability can bring. This exemption will also be extended to households which include a member who is in receipt of Personal Independence Payment which will replace Disability Living Allowance for individuals of working age (aged 16- 64) from April 2013 or Attendance Allowance, where the member in receipt of Attendance Allowance is 65 years old or older and their partner is below the qualifying age for Pension Credit. Finally, war widows and widowers will be excluded from the cap in line with the Government's commitment to offer special treatment to those who are serving or who have served in the Armed Forces, and to their dependents, in order to avoid disadvantage and recognise sacrifice for those seriously injured or killed.

5. The Benefit Cap is intended to improve work incentives, and send out a clear signal that the benefit system is not intended to keep people in long-term worklessness while receiving more in benefit than average household earnings. It should be seen in the context of the budget deficit and the reductions in public expenditure that the Government is making to tackle it. Welfare expenditure increased by 45 per cent in real terms in the decade to 2009-2010. In 2009-10 the Government spent £192 billion on welfare payments, compared to £35 billion on defence, £50 billion on education, and £98 billion on health. The State can no longer afford to pay families on out of work benefits large amounts in benefit each week, sometimes in excess of the average weekly wage earned by working households, particularly given the disincentive effects and detrimental impacts of benefit dependency on families and children. The Benefit Cap will sit alongside other Spending Review measures which will ensure that the benefit system is fair and affordable and encourages people to work if they can.

Consultation and involvement

6. The Government's consultation document, '21st Century Welfare', published in July 2010 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 2010, 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. In addition, the measure was discussed at the September Department for Work and Pension's (DWP) Policy and Strategy Forum (one of the regular ways in which DWP engages with groups representing its customers) and high level discussions have also taken place with local authorities at recent meetings of the Local Authority Association Steering Group.

7. Other consultation has largely been confined to stakeholders from within central Government. Policy officials at the Department for Work and Pensions worked with colleagues at HM Treasury and the Department for Communities and Local

Government to devise and develop the initial proposals. Once this had been formulated internal DWP discussions have taken place between policy officials responsible for the benefits that will be covered by the cap. Consultation is on-going with officials in Jobcentre Plus on potential options for delivering the cap both prior to and after the introduction of Universal Credit. High-level discussions have also taken place with local authorities at meetings of the Local Authority Association Steering Group.

Impact of the Household Benefit Cap

8. The level of the benefit cap will be set by the Secretary of State and based on the average weekly wage for working households. We estimate that on its introduction, the cap will be set at £500 a week for couple and lone parent households and at £350 a week for single adult households without children. Based on this, modelling suggests that around 50,000 households on out of work benefits will stand to have their benefits reduced by the policy, subject to their circumstances and eligibility for transitional protection. This is roughly 1% of the out-of-work benefit caseload. Broadly, the cap will affect large families with several children, who will be entitled to a significant amount of Child Tax Credit and who might also live in larger family homes and so be entitled to high levels of Housing Benefit; or households in high rent areas receiving large Housing Benefit payments. The Government is looking at ways of easing the transition for families and providing assistance in hard cases.

9. Approximately 40% of households who are likely to be affected by the cap will consist of five or more children whilst over 80% will consist of 3 or more children. Fewer than 10% of households likely to be affected by the cap will consist of no children at all.

Table 1: Estimated make up of capped households

	Number of children in household				
	0	**1 or 2**	**3**	**4**	**5 or more**
Couples	0%	5%	15%	10%	10%
Singles /Lone parent	5%	10%	5%	10%	35%

Source: DWP Policy Simulation Model

10. On average households affected by the cap will lose around £93 a week. Around 35% will lose more than £100 per week whilst around 40% will lose less than £50 a week.

Table 2: Size of losses from the total benefit cap

Size of loss (£/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 (%)	40%	25%	20%	15%

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

11. Analysis of those affected by the benefit cap has been modelled using survey data, and as such there is a degree of uncertainty around the results. Consequently, owing to small sample sizes, it is not possible to present the distribution of losses (as shown in Table 2 for all affected households) for sub-groups of the overall population of households affected by the cap.

12. Analysis shows that the introduction of the cap will, for larger households claiming benefit in some parts of the country, limit the income necessary to afford housing at the (new) Local Housing Allowance (LHA) rates, i.e. the 30th percentile of the market.

13. At lower percentiles of the market, the cap will still make some parts of the country unaffordable on Housing Benefit alone for larger households receiving benefit and it is difficult to accurately predict what will happen to the affected households, as it depends on households' behavioural responses and on the availability of accommodation. The impact on those affected will be that they will need to make a choice between a number of options including 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. The Government is looking at ways of easing the transition for families and providing assistance in hard cases.

Disability

14. The definition of disability for the purposes of equality impact assessment is contained in the Equality Act 2010, having previously been defined by the Disability Discrimination Act (DDA). Analysis using the Department for Work and Pension's Policy Simulation Model shows that approximately half of the households capped contain somebody who is disabled as defined by the DDA. This is likely to be because households containing somebody disabled as defined by the DDA constitute around 45% of the overall benefit population.

15. However, not everyone defined as disabled by the DDA will have extra costs that the Government would expect to meet through the benefit system. The Government makes provision for those who do have extra costs as a result of a disability through Disability Living Allowance. Disability Living Allowance is paid to cover the additional mobility and care costs incurred by a person as a result of their disability. It will be replaced from April 2013 by Personal Independence

Payment. Attendance Allowance is available to help cover additional care costs incurred by a person with a disability who is 65 years old or older. Not everybody defined as disabled by the DDA will incur such costs, and so they will not be entitled to Disability Living Allowance, Personal Independence Payment or Attendance Allowance.

16. In recognition of their additional financial needs that some disabled people have, all households which include a member, including a child, entitled to Disability Living Allowance or Constant Attendance Allowance, (as an increment to an award of Industrial Injuries Disablement Benefit) will be exempt from the cap. This exemption will also be extended to households which include a member who is in receipt of Personal Independence Payment, which will replace Disability Living Allowance for individuals of working age (aged 16- 64) from April 2013 or Attendance Allowance. Disability Living Allowance, Personal Independence Payments and Attendance Allowance are specifically intended to contribute to the extra costs that arise from disability and therefore we believe it provides the most straightforward and transparent test of those disabled people who are likely to have less ability to adapt to a reduction in their benefit following the imposition of the cap. The exemption has been extended to those in receipt of Constant Attendance Allowance because recipients of Constant Attendance Allowance will normally be precluded from the receipt of Disability Living Allowance, even if its conditions of entitlement are met, because in most cases Constant Attendance Allowance will be paid at a higher rate. This mitigation for recipients of Disability Living Allowance, Personal Independence Payment, Attendance Allowance and Constant Attendance Allowance means that approximately 30,000 customers who are disabled as defined by the DDA, who would otherwise be impacted by the cap, are in fact exempted from its effects.

17. Customers who are disabled but not in receipt of Disability Living Allowance will also be able to avoid the impact of the cap if they are working at sufficient hours to receive Working Tax Credit. The Government has put in place a series of measures which are specifically designed to help disabled people or those who have been suffering from an illness move into employment and receive Working Tax Credit.

18. Firstly, for those single disabled people who meet the qualifying condition for the disability element of Working Tax Credit, (which is not the same as Disability Living Allowance's), Working Tax Credit is available when they enter work of at least 16 hours a week. This puts them at an advantage to single people without disability, who are required to work for at least 30 hours week before they can get Working Tax Credit or, in the case of those less than 25 years old, who cannot be entitled to Working Tax Credit. The Department is considering what mitigation might be appropriate once Working Tax Credit has been replaced by Universal Credit.

19. The Department for Work and Pensions currently provides additional financial support to disabled and sick customers to help them to move into and remain in work through the Return to Work Credit. This can be paid to those customers who

have been on Incapacity Benefit (IB), Income Support on the grounds of incapacity or Employment and Support Allowance (ESA) for 13 weeks or more and who move into work of more than 16 hours or more a week which is expected to last for at least 5 weeks.

20. From 2011, the Work Programme will replace existing back-to-work programmes including Pathways to Work. The Work Programme is expected to be in place nationally by the summer of 2011 and will be a single integrated package of support providing personalised help for everyone who finds themselves out of work regardless of the benefit they claim. The Department is working to ensure that the widest possible range of personalised help to return to work is available to disabled people and those who support and advise them through the Work Programme.

Race

21. A large proportion of those affected by the benefit cap are likely to be large families, suggesting that households from cultural backgrounds with a high prevalence of large families will be affected most.

22. 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).

23. People from ethnic minority households are also more likely to be in receipt of an income-related benefit than those from a white household. This affects some groups in particular: 30 per cent of Pakistani and Bangladeshi households are in receipt of an income-related benefit compared with 19 per cent of white households. Although also having relatively large family sizes, a smaller proportion of Indian households are in receipt of income-related benefits.

24. Based on internal modelling using the Department for Work and Pension’s Policy Simulation Model, we estimate that of the households that are likely to be affected by the cap, approximately 30 per cent will contain somebody who is from an ethnic minority. Ethnic minorities form less than 20 per cent of the overall benefit population.

25. In mitigation of the impact, from 2011, customers from all ethnicities will receive help in finding work from the Government’s new Work Programme. This will be the biggest single welfare to work programme this country has ever seen. It will be built around the needs of individuals, providing them the right support at the right time.

26. The impacts of the policy for all groups are illustrated in paragraphs 8 - 13. The sample size of households affected is not sufficiently large enough for us to determine whether ethnic minority households are likely to be at the highest cash loss end of Table 2.

Gender

27. Based on internal modelling using the Department for Work and Pensions' Policy Simulation Model, we expect around 60% of customers who are likely to have their benefit reduced by the cap to be single females but only around 3% to be single men. Most of the single women affected are likely to be lone parents, this is because we expect the vast majority of households affected by this policy (around 90%) to have children. Approximately 60% of those who will be capped are single women. Single women form around 40% of the overall benefit population.

28. However, the impacts of the cap on women, can be mitigated by the support available to help lone parents move into work and become eligible for Working Tax Credit which will make them exempt from the cap. (As stated we expect the vast majority of single women affected by the cap to be lone parents and so eligible for this help.) Lone parents can become eligible for WTC when working 16 hours or more a week, so putting them at an advantage to those who have to work at least 30 hours a week. The Department is considering what mitigation might be appropriate once Working Tax Credit has been incorporated into Universal Credit.

29. In addition lone parents who have been on Income Support, Jobseeker's Allowance or in some cases Employment and Support Allowance for 52 weeks or more can currently qualify for the In Work Credit (IWC) if they move into work of more than 16 hours a week (and that is expected to last for at least 5 weeks).

30. Lone Parents also have access to a specialist Personal Adviser who can offer a package of support and advice to help them enter and remain in work that is tailored to their individual circumstances. The Department is currently considering the type of support that will be available to lone parents prior to and through the Work Programme.

Age

31. The intention is that the cap should 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.

32. The vast majority of those affected by the policy will be aged 25 to 44. Modelling suggests around eighty percent will be in this age range. Approximately 45% of those who are likely to be capped are aged 25-34, but they form only around 25% of the overall benefit population. For 35-44 year olds, they form around 35% of those who are likely to be capped, but they make up around 25% of the overall benefit population. Approximately 15% of those who are likely to be capped are aged over 45, but they form around 30% of the overall benefit population.

33. Customers in receipt of Working Tax Credit will be exempt from the affects of the benefit cap. Working Tax Credit is available to all customers who have children or a disability, if they enter work at a weekly rate of 16 hours (From April 2011, couples with children will have to work for at least 24 hours a week between them). However, the eligibility criteria for those without children or a disability is

dependent on age. Working Tax Credit is available to customers who are 25 years old or older if they work for at least 30 hours a week but those under the age of 25 cannot be entitled to Working Tax Credit and so cannot qualify for an exemption from the cap on the grounds of working. However, Employment and Support Allowance, Income Support and Jobseeker's Allowance are paid at lower rates for single customers under 25. Those without children will also not be eligible for Child Tax Credit and are less likely to qualify for high rates of housing benefit. This means that customers under 25 years old are therefore less likely to be eligible for sufficient benefit to be affected by the cap and the fact that they are not able to qualify for Working Tax Credit will be of far less consequence.

Gender reassignment

34. The Department does not hold information on transgender claimants and it is not likely that this will be available in the future. However the Government does not envisage an adverse impact on these grounds.

Sexual orientation

35. 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.

Religion or belief

36. 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.

Marriage and Civil Partnership

37. The Department does not hold information on its administrative systems on the civil partnership status of claimants. The Government does not envisage an adverse impact on these grounds.

Pregnancy and maternity

38. 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.

Monitoring and evaluation

39. The material in this Equality Impact Assessment covers the equality groups currently covered by the equality legislation, i.e. age, disability, gender (transgender), ethnicity, religion, sexual orientation, pregnancy/maternity and civil partnerships. DWP is committed to monitoring the impacts of its policies and we

will use evidence from a number of sources on the experiences and outcomes of the protected groups.

a) We will use 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.

b) We will use 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.

c) We will use 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.

d) We will utilise 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.

e) We will draw on broader DWP research where appropriate, as well as any research commissioned specifically as part of the evaluation of the measure.

40. As part of our actions in the context of the data requirements under the Equality Act, we are looking across DWP activities to identify and address further gaps in data provision wherever reasonable.

Next steps

41. We expect to revise this EIA as the Bill goes through its Parliamentary stages and as the policy develops in regulations.

Contact details

42. For further details about this assessment please contact us at:

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