



Impact of Welfare Reform in London June 2013

London Voluntary Service Council
200a Pentonville Road
London
N1 9JP
Tel: 020 7832 5806
E-mail: policy@lvsc.org.uk
www.lvsc.org.uk
Charity registration number: 276886
Company registration number: 1395546 (Cardiff)



1. Background

1.1 A summary of welfare reforms form 2010 to 2016

Change	Affected	Implemented by	Timescale
Migration from incapacity benefit to employment and support allowance	Incapacity benefit claimants	Jobcentre Plus	From 2010 to April 2014
National caps on LHA depending on property size	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From April 2011 for new claimants. For existing claimants, on the anniversary of their claim. Nine months transitional protection is available to most claimants.
Increases in non-dependant deductions	All LHA claimants with non-dependants living with them	Local authorities administering HB, until the introduction of universal credit	In April 2011, and again in April 2012 and 2013
Removing the £15 excess that LHA claimants could keep if their rent was below LHA rates	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	April 2011
Setting LHA rates at the 30th percentile of rents in each broad rental market area rather than the median	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From April 2011
Shared accommodation rate applies to single tenants without dependent children up to 35 years old (rather than as previously those up to 25 years)	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From January 2012
Increasing the number of hours to be worked for couples claiming working tax credit from 16 to 24 hours a week	Couples claiming working tax credit	HMRC	From April 2012
Uprating LHA by the Consumer Price Index rather than by increases in rents	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From April 2013 (rents frozen from April 2012 in preparation)
Introduction of 'under-occupation' penalties in the social rented sector ('bedroom tax')	HB claimants in the social rented sector	Local authorities administering HB, until the introduction of universal credit	From April 2013
Localisation of the discretionary social fund	All local residents	Local authorities	April 2013
Localisation of council tax benefit (CTB)	All local residents	Local authorities	April 2013
The benefit cap	Benefit claimants receiving over £350 (single people) or £500 (lone parents and couples) a week	Local authorities administering HB, until the introduction of universal credit	April 2013
Introduction of personal independence payment (replacing disability living allowance)	Working age disabled people receiving disability living allowance	Jobcentre Plus	April 2013 until 2016
Introduction of universal credit (replacing means-tested benefits)	Benefit and tax credit claimants	DWP, working with local authorities	October 2013 until 2017

2. Policy context

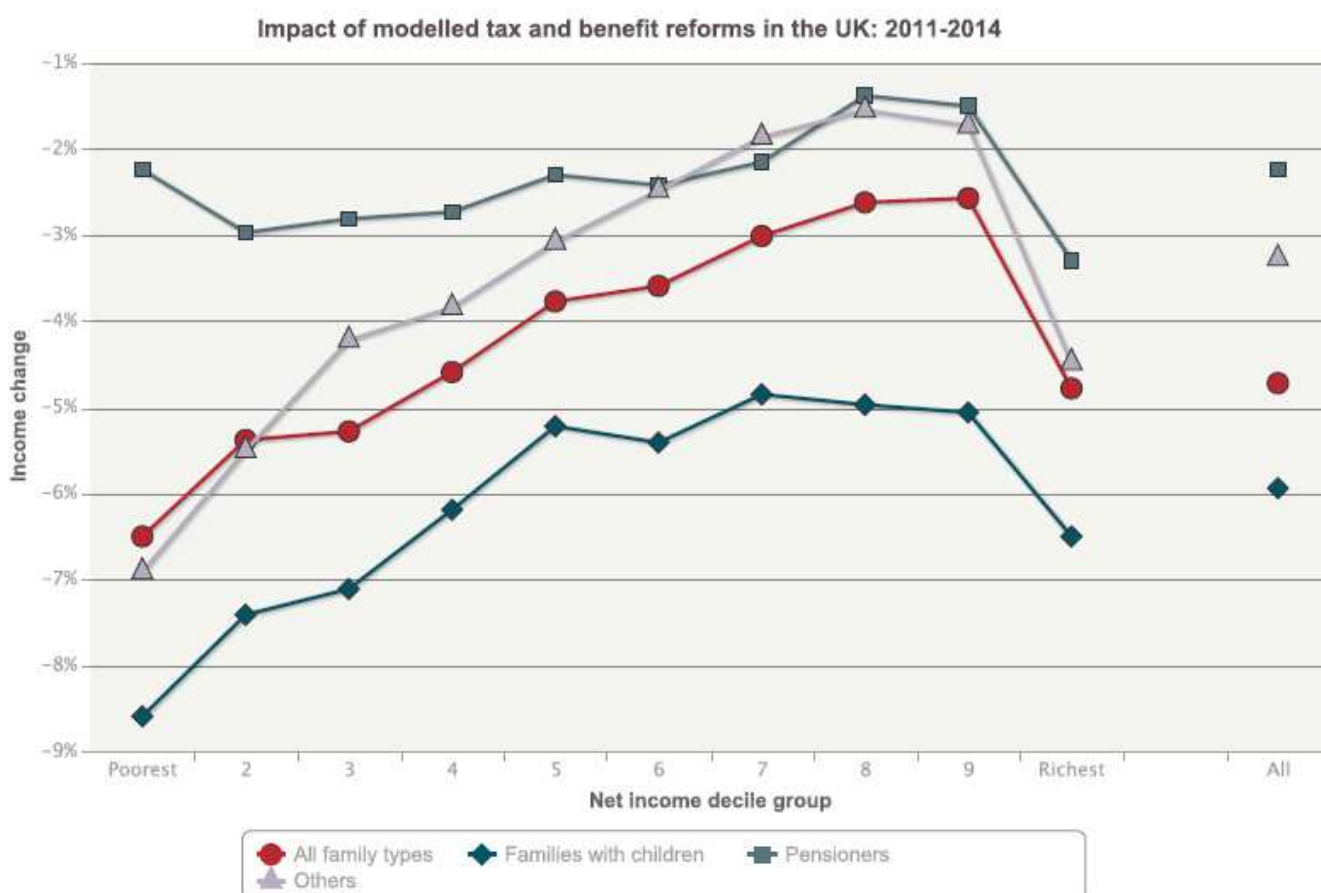
2.1 Four broad aims can be seen across the government's justification for the changes.

- To reduce expenditure on Housing Benefit, in part by driving down rents.
- To improve work incentives.
- To reduce overcrowding.
- To achieve 'fairness' between working and non-working claimants.

The changes form part of the government's overall aim to reduce public expenditure, in order to reduce the UK's deficit. The government argues that the changes increase fairness, by ensuring that out-of-work families cannot receive more in benefits than the average family in work receives in wages.

(Table and text from Lasa & CPAG (2012) *Between a Rock and a Hard Place: the early impacts of welfare reform in London*)

2.2 However, many of the changes will have cumulative impacts on the same benefit claimants, while others are very little affected. For example, figures from the Nuffield Trust show that as a result of welfare reforms between 2011-14 the poorest families with children will see their income reduced by almost 9%, while most pensioners will see their income decrease by less than 3%.



2.3 Research by the Children's Society found that over 70% of individuals who will see their household income fall as a result of the housing benefit cap are children, who are nine times as likely to be affected as adults.

3. Differential impacts in different cities

3.1 The different welfare reforms will have very different impacts in different parts of the country depending upon factors such as:

- The cost of private rents
- The availability of social housing

- The availability of one bedroom properties
- The proportion of households consisting of families with children, particularly lone parents with children
- The proportion of households including disabled people

3.2 At the extremes, the worst-hit local authority areas lose around four times as much, per adult of working age, as the authorities least affected by the reforms. 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

3.3 Districts with largest absolute loss attributable to welfare reform

	Estimated loss (£m pa)	Loss per working age adult (£ pa)
1. Birmingham	419	610
2. Glasgow	269	650
3. Leeds	232	460
4. Liverpool	227	700
5. Manchester	217	610
6. Bradford	194	590
7. County Durham	188	560
8. Sheffield	173	470
9. Cornwall	171	520
10. LB Brent	146	680
11. Bristol	141	480
12. Kirklees	140	510
13. LB Enfield	136	670
14. Edinburgh	135	400
15. LB Westminster	133	820
16. LB Croydon	129	540
17. Wirral	127	640
18. LB Newham	127	580
19. Leicester	126	560
20. LB Ealing	125	540

Source: Sheffield Hallam estimates based on official data

3.4 The caps to housing benefit and total benefit cap will have a disproportionate impact on families in London, compared to families elsewhere. Research published in 2010 by the Institute for Fiscal Studies and the New Policy Institute on the impact of all the cuts to benefits found that 'Higher housing costs mean the low income Londoners are hit harder, on average by the cuts to benefits and tax credits than low income households across the UK as a whole'. Of the families affected by the benefit cap 49% will be in London.

3.5 While the financial impact of the housing benefit cap in some London boroughs is large, it barely impacts at all across large swathes of Britain away from London, where rents are much lower..

3.6 The incapacity benefit and Disability Living Allowance reforms, hit very hard in older industrial areas. Incapacity claimant rates in older industrial Britain are far in excess of those in more prosperous parts of the country, because of the difficulty that men and women with health problems or disabilities face in finding work in these difficult local labour markets.

3.7 The new rules affecting under-occupation of social housing (widely known as the 'bedroom tax') impact most in the places where a high proportion of the housing stock is rented from councils or housing

associations. These areas include much of older industrial Britain and a number of London boroughs. Large parts of southern and eastern England are barely affected by this reform. The high proportion of one-bedroom social housing in London means that it is less affected than might be expected compared to the north of England.

3.8 The cuts to Child Benefit have a rather more even impact across Britain than most of the other welfare reforms. This is partly because the three-year freeze in Child Benefit rates affects all claimants – and most places have substantial numbers of children – and partly because the withdrawal of Child Benefit from households with a higher earner affects some households in most places. The biggest impacts are in the places where there are substantial numbers of children and a high proportion of higher earners. London’s commuter belt, including a number of outer London boroughs, is hit hardest.

3.9 The list of local authorities most affected by changes to Tax Credits comprises urban and rural areas with relatively low wages and high unemployment. London’s commuter belt and a number of more prosperous rural areas are affected less by the cuts. At the regional scale, the North of England loses more than the South, but overall the differences across Britain are less than for other welfare reforms.

(Beatty, C. & Fothergill, S. (2013) Hitting the Poorest Places hardest: the national and regional impacts of welfare reform. Sheffield Hallam University: Centre for Regional Economic and Social Research)

4. Impacts in 2012

4.1 LVSC’s Big Squeeze survey conducted in May – June 2012 reported that the welfare reforms were already having demonstrable impacts. How has the economic or policy climate affected your service users?

		Response Percent	Response Total
1	Increased worklessness	56.2%	123
2	Higher demand for advice on issues such as housing, employment or benefits	59.4%	130
3	More cannot afford their housing costs or risk homelessness	42.0%	92
4	Worsening health issues (including mental health issues)	47.9%	105
5	More cannot afford essentials such as food and fuel	40.1%	88
6	More are not taking up education opportunities	25.1%	55
7	Loss of services that meet their needs	82.6%	181
8	Fewer opportunities to volunteer	18.3%	40
9	More opportunities to volunteer	11.0%	24
10	Other, please specify:	3.7%	8

4.2 What government policies have had a particularly negative impact on your service users?

		Response Percent	Response Total
1	Re-organisation and efficiency savings in the NHS	47.2%	116
2	Cuts to local authority budgets	84.6%	208
3	Changes to educational policies	26.8%	66
4	Welfare reform	63.4%	156
5	Housing policy	47.6%	117
6	Cuts to legal aid	44.3%	109
7	Changes to policing and crime policy	20.7%	51
8	More commissioning of public services from the independent sector	37.8%	93
9	Introduction of the Work Programme	39.4%	97
10	Big Society agenda	22.4%	55
11	Localism agenda	19.5%	48

4.3 Responses included:

“The biggest impact service users will feel directly is likely to be changes to the benefits system; many have reported not understanding what changes are happening and fear they will lose vital support.”

“Many of our service users live in the private rented sector in Central London and so face homelessness as a result of benefit cuts. Demand has more than doubled but funding has decreased.”

“The number of callers to Stonewall Housing's Advice Services (for lesbian, gay, bisexual and transgender people) has increased to its highest ever level. The number in unaffordable accommodation has rocketed by 26% compared to last year.”

5. Impacts in 2013 – using open data and social media

5.1 Mentions of welfare reform by Twitter users in London from March - May 2013



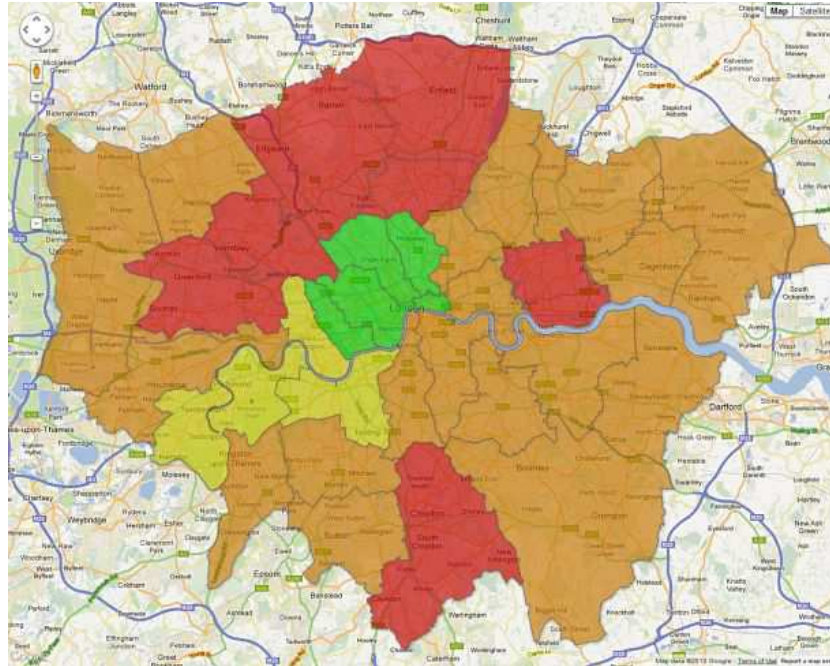
5.2 Possible responses to cuts are:

- Moving to cheaper accommodation
- Increased efforts to find employment
- Increased overcrowding
- Increased homelessness
- Cutting back on other spending, such as food and fuel and increased debt
- Landlords reducing rents

5.3 Moving to cheaper accommodation

Changes in where Londoners receiving LHA are living in 2012-13

Green = decrease; Yellow, orange and red = rise



Camden council plans to move 761 poor families from London

Council says welfare cuts force shift of 2,816 adults and children to areas up to 200 miles away with lower housing rents

Randeep Ramesh, social affairs editor
 The Guardian, Wednesday 13 February 2013 21.13 GMT
[Jump to comments \(2584\)](#)



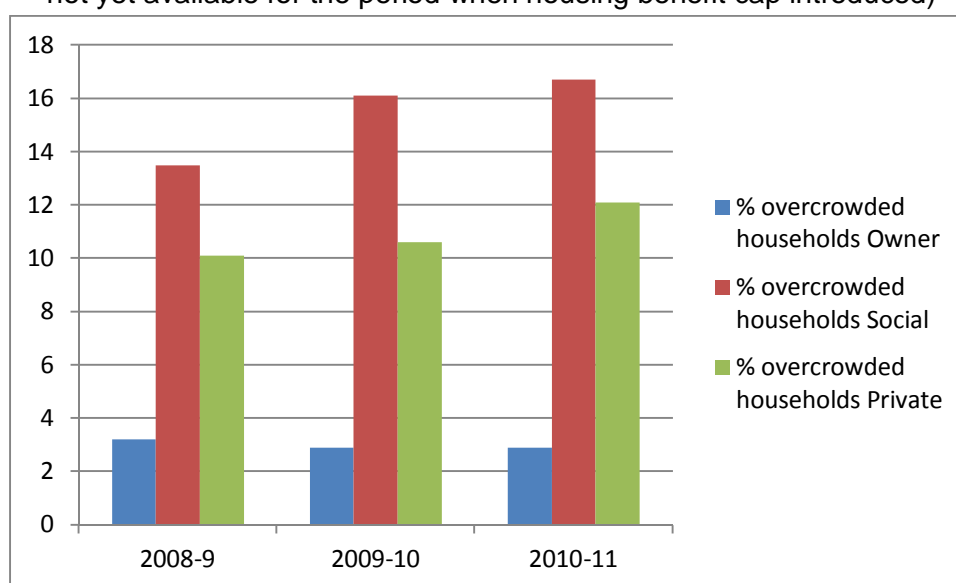
School children in Camden, London, whose families claim welfare benefits, could face disrupted education if they are relocated. Photograph: Alamy

5.4. Increased efforts to find employment

5.4.1 Several councils in London are working actively with residents to help them move into work, or to increase their hours if they had been hit by the working tax credit changes. However, few see this as an approach able to solve the problems of more than a small proportion of families hit by the cap. One authority estimates that there are at least 500 families who would not be able to be supported into employment due to disability, caring or parental issues. Research from the shop workers' union USDAW found that 78% of its members could not find the extra hours they needed to qualify for tax credits after the rules changed in April 2012. The high costs of childcare are also a significant barrier to employment at a time when the welfare reforms have reduced support with childcare from 80 to 70% of eligible costs. (Lasa & CPAG (2012) Between a rock and a hard place: the early impacts of welfare reform in London)

5.5. Increased overcrowding

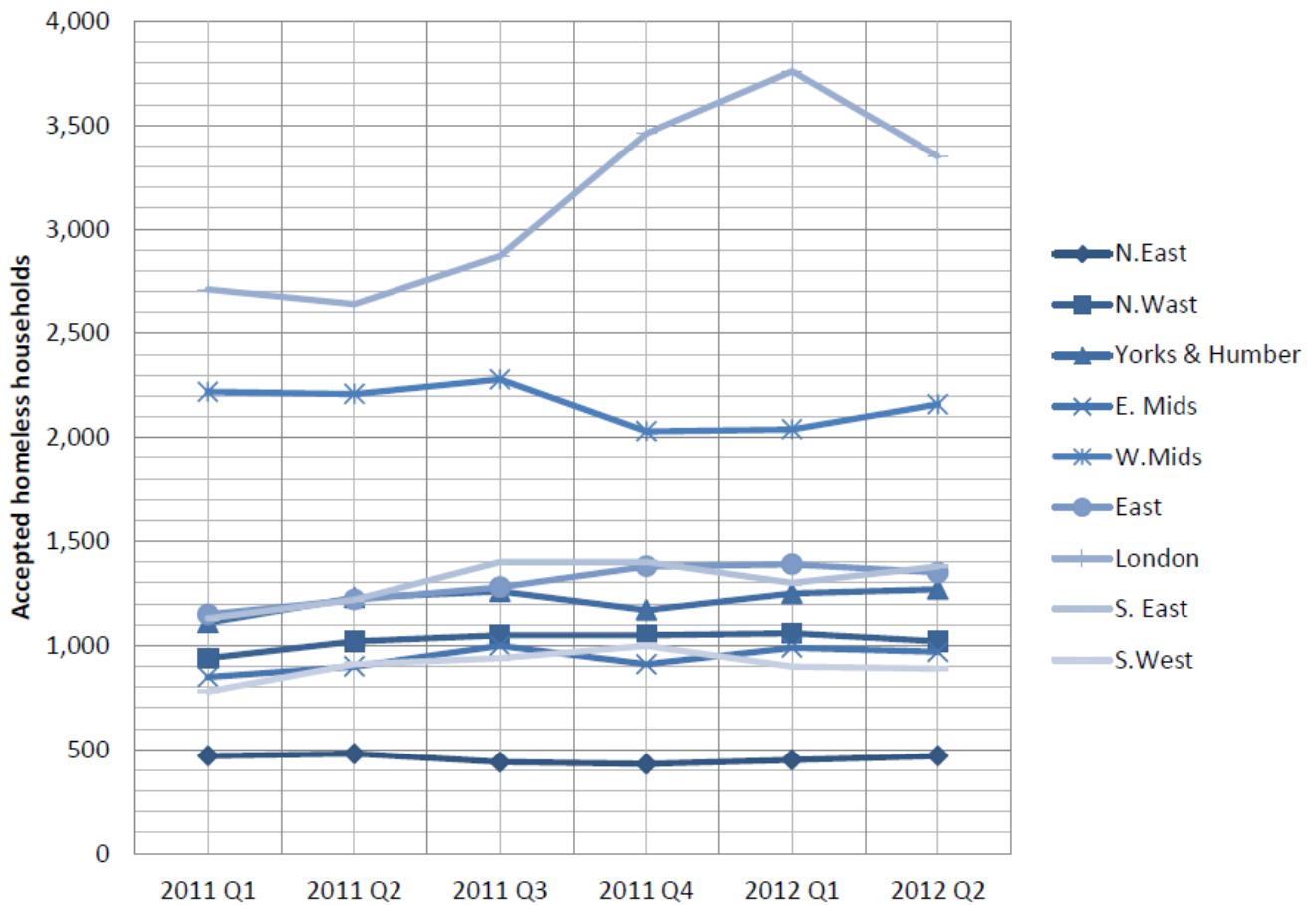
% overcrowded households in London by tenure: Data from English Housing Survey 2012: DCLG (Figures not yet available for the period when housing benefit cap introduced)



5.6. Increased homelessness

(London Councils (2013) Tracking welfare reforms London: London Councils)





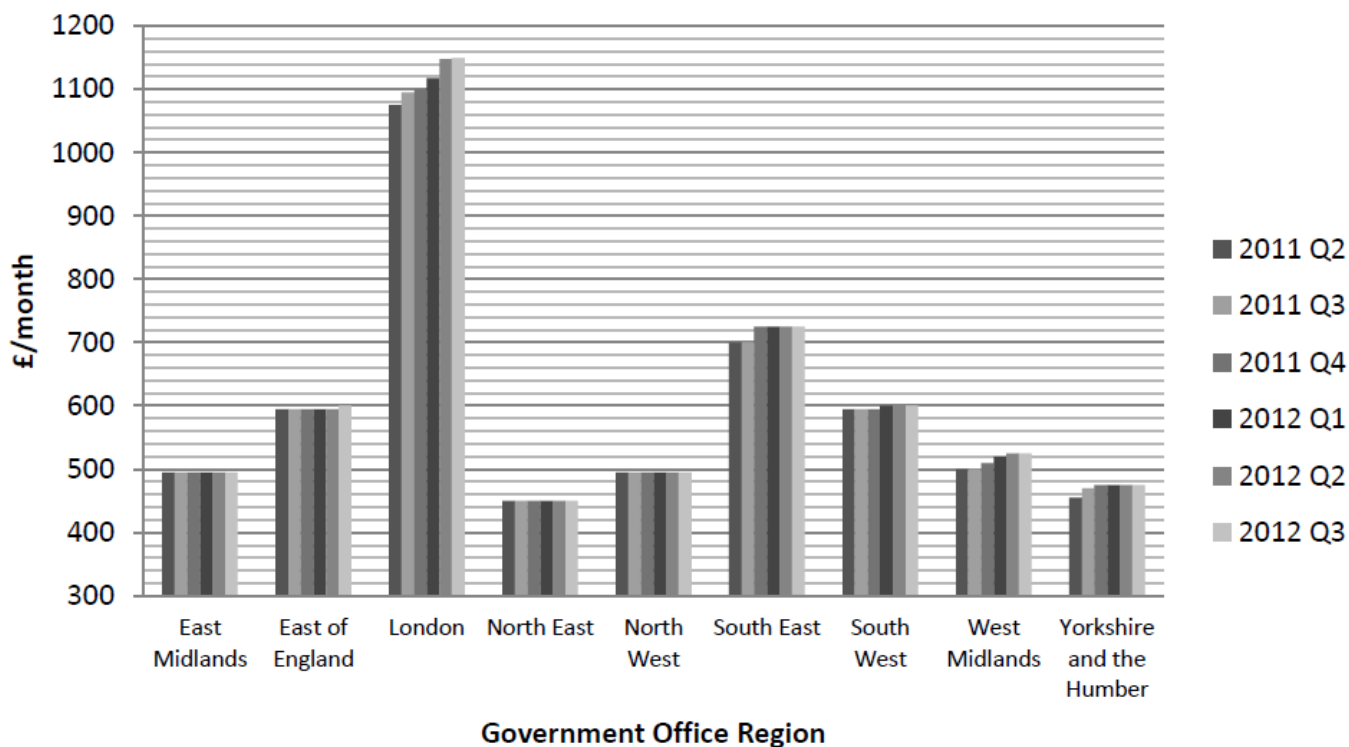
5.7 Cutting back on other budget areas or increased debt

(London Councils (2013) Tracking welfare reforms London: London Councils)

	<i>Column percentages</i>				
	London	Rest of Great Britain	Existing claimants	New claimants	All claimants
Spend less on household essentials	39	48	44	52	45
Spend less on non-essentials	36	37	36	40	37
Look for a job	35	32	32	32	32
Borrow money from friends or family	22	26	24	29	25
Look for a better paid job	22	13	15	19	16
Increase hours of work at current job	10	11	10	13	11
Borrow money via a loan or credit card	8	10	9	11	9
Look for an additional job	6	7	6	9	7
Use savings	6	6	6	8	6
Other	6	7	7	5	7
Don't know	5	5	5	3	5
None of these	10	6	8	6	7
<i>Base: All claimants</i>	399	1,511	1,355	555	1,910

5.8. Landlords reducing rents

(London Councils (2013) Tracking welfare reforms London: London Councils)



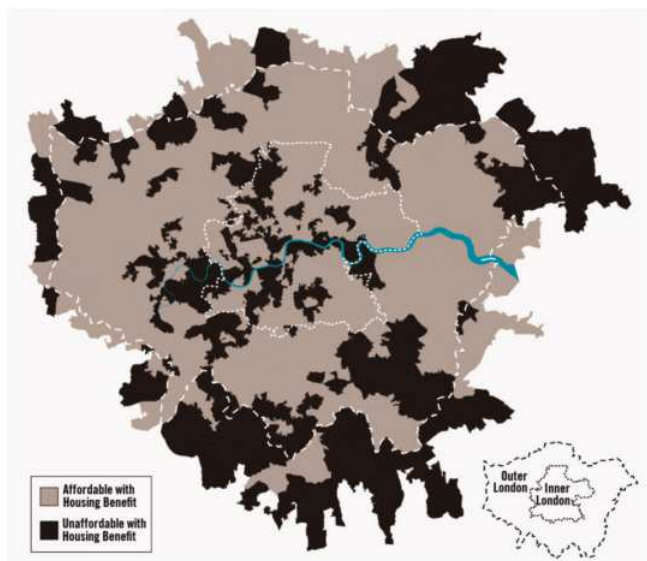
6. Prediction: London becomes increasingly unaffordable and unequal at an even greater rate than previously

(LSE London Policy Briefing (2011) Poverty and Inequality in London: anticipating the effects of tax and benefit reforms. London: LSE)

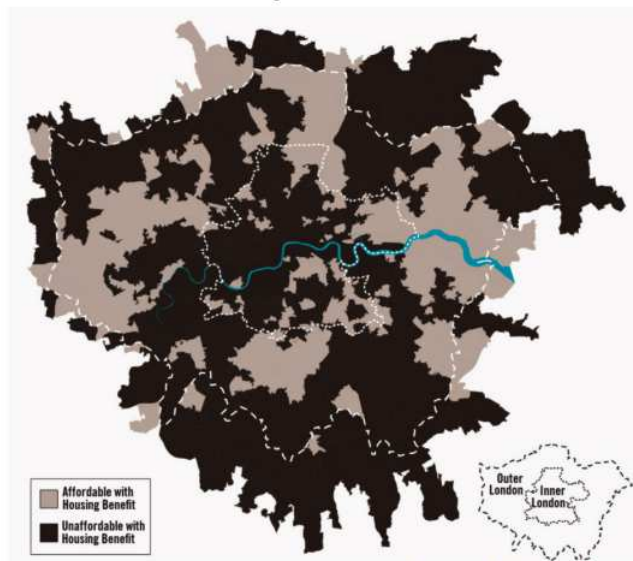
London neighbourhoods largely unaffordable to LHA claimants in 2010 and 2016

In 2010

by 2016



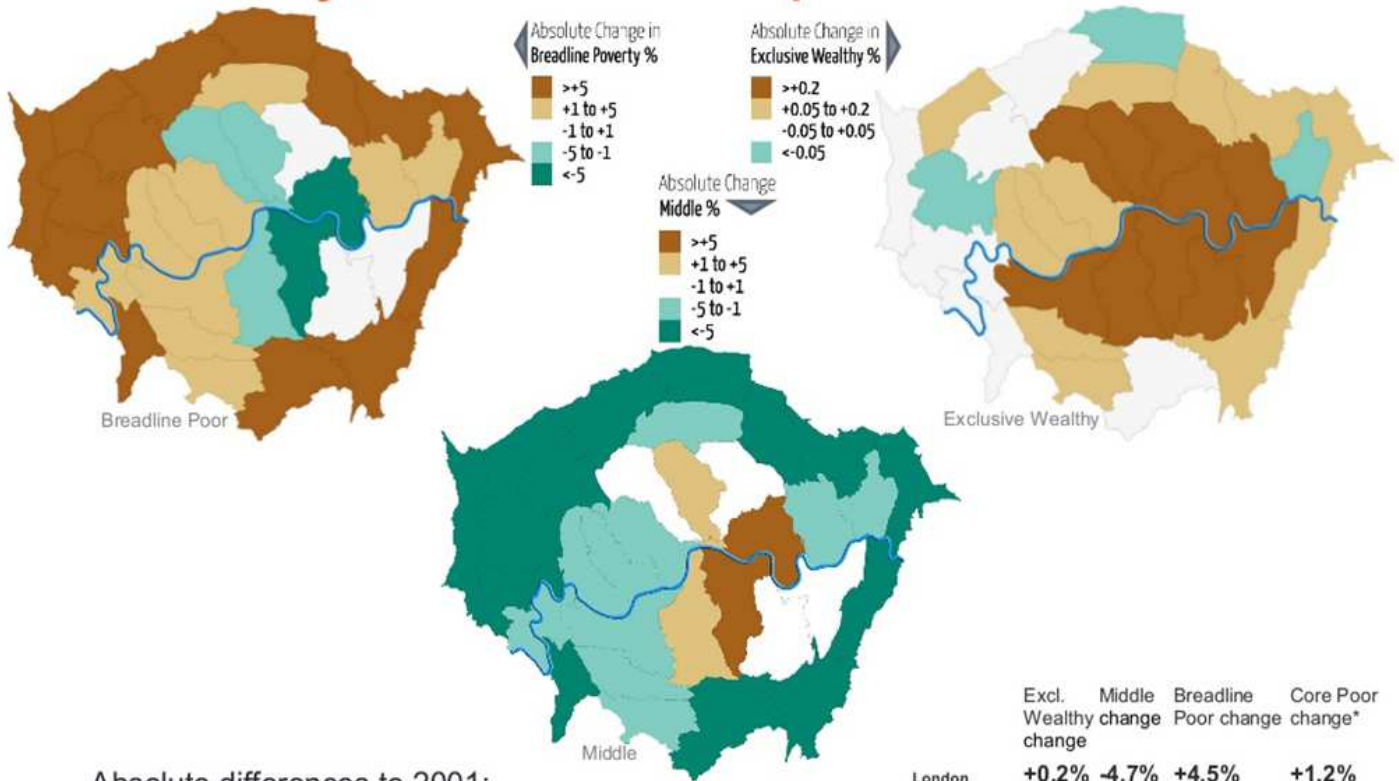
Source: Fenton A. (2011))



Source: Fenton A. (2011))

Data from 2001 and 2011 census: analysed by Danny Dowling (2012)

Poverty, wealth and place 2001-2011



Absolute differences to 2001:

10.8% increase in exclusive wealth; 19.2% increase in breadline poverty; 2.1% decline in Middle households

	Excl. Wealthy change	Middle Poor change	Breadline Poor change	Core Poor change*
London	+0.2%	-4.7%	+4.5%	+1.2%
Inner London	+0.3%	-0.2%	-0.1%	-0.5%
Outer London	+0.0%	-7.4%	+7.4%	+2.2%

* Subset of Breadline Poor

The impacts of welfare reform in London



2010

75% London neighbourhoods affordable to those claiming housing benefit



2016

36% London neighbourhoods affordable to those claiming housing benefit

In 2012 an extra 133,000 London families were unable to afford their home as a result of welfare reforms.