

The Impact of Welfare Reform – Man Uni

Good afternoon everyone and thanks very much for the invite along. I am Matthew Jackson, Associate Director at the Centre for Local Economic Strategies (CLES). For those of you who don't know CLES is an independent think-tank and research organisation which undertakes a range of research around economic development, regeneration and local governance.

I want to talk this morning about welfare reform and in particular three things:

- What is happening in relation to welfare reform policy and why it is such a big deal;
- What the emerging impacts of welfare reform are upon communities and economies;
- How local authorities and other stakeholders are responding to welfare reform;

The presentation is based upon three pieces of research we have recently completed at CLES:

1. A piece of research with Manchester City Council where we have sought to explore which areas of the city and which groups will be particularly affected by welfare reform; and importantly what Manchester City Council and other authorities have done to respond

2. A piece of research with five housing organisations across Greater Manchester where we have sought to explore the impact upon local shops and local services
3. A piece of research with the Housing Diversity Network where we have sought to explore what housing organisations have done to respond and whether there is any emphasis being placed in the reforms upon equalities.

So first, what are the welfare reforms and why are the government bothering. I think there are four reasons why the government has instigated a reform of the welfare system:

- First, there is significant complexity in the welfare system. A range of benefits, each with different payment mechanisms of connotations for individuals. They want to simplify it
- Second, government has to make savings to reduce the national debt. Reducing benefit payments is a key component of this austerity drive;
- Third government has a drive towards economic growth. A vibrant economy is predicated upon people being in work and moving off benefit;

- Fourth there is a recognised link between worklessness and poverty. moving into employment opportunity is a key route out of poverty;

So the government have responded with a series of reforms designed to cut £21billion from the welfare bill over the next four years. There are five key elements to the changes:

1. The streamlining of the previous raft of benefits into one single payment known as Universal Credit. So this will bring together out of work benefits and tax credits, for example into one single payment to the claimant.
2. The testing of people's capability to work through the Work Capability Assessment. Here previous claimants of incapacity benefit physical and mental fitness to work are tested with individuals placed into one of three groups dependent upon the outcome:
 - a. WRAG
 - b. SUPPORT GROUP
 - c. NOT ELIGIBLE FOR ESA AND MOVED TO JSA
3. The introduction of the Single Work Programme, the core means of supporting people into employment. People are referred to largely private sector contractors at various stages of their claim, whose role it is to move

them into a job. Key concern is that it is not tailored to the needs of specific communities.

4. A range of changes around housing benefits, particularly the so called 'bedroom tax' where there will be penalties for under-occupancy of social homes. There is also a withdrawal of housing benefit for 25-35 year olds living in the private rented sector
5. There is to be a cap upon the amount of all benefits a household can receive at 26,000 per annum. This is regardless of the size of their family

It is important to note that this has not all started to happen yet. The changes around universal credit are subject to a pilot and the housing benefit changes went live from April 2013. So what are the impacts of welfare reform. Through our research work we have identified three different types of impact.

- Place and local economy;
- Group or community of interest;
- Organisational

The likely impacts on places and local economies are as follows:

- Reduced spending in the local economy thus threatening the viability of local shops and services. Our research with benefit claimants in 5 localities in Greater Manchester highlighted that £1 lost in benefit payment would lead to 80 pence being taken out of spend in shops and upon local services;
- Population churn. People living in unaffordable social homes are likely to want to move to cheaper localities, thus leading to a churn in population with potential issues for cohesion.
- Impact greatest in area with high levels of worklessness. Early data from the outcomes of the Work Capability Assessment suggest that 41% of IB claimants in Manchester are being assessed as fit for work. This means a reduction in income but also a need to find work and create jobs. The areas hardest hit are the North and the East of the City;

The impacts on groups are as follows:

- Disabled groups and carers will lose around £3000 by 2015; as a result of disability reassessment and work capability assessment;
- Those with mental health disorders are likely to be adversely affected by the work capability assessment

which is overly focused upon physical fitness. 49% of claimants of IB in this city do so for a mental health related disorder;

- Those with large families are likely to be affected by the cap and the changes around housing benefit. this is particularly likely to be the case for BME communities;
- Lone parents will be required to move into employment once their youngest child reaches 5 and be required to work more hours to meet the benefit taper rate.
- We may well see a growth in the informal economy as people remove themselves from the system altogether and rely upon alternative sources of income;

The impacts upon organisations are as follows (this includes local authorities, housing organisations, and voluntary and community sector organisations:

- Increased demand for front line and specialist services such as welfare and debt advice
- Increased demand for emergency everyday living services. We are seeing this in the growth of foodbanks

- A need to change processes around collection of rents and distribution of benefits;
- A whole host of appeals against the outcomes of Work Capability Assessment.

So what are local authorities and housing organisations doing to respond. First local authorities:

- Developing cross-departmental and cross-agency welfare reform groups;
- Monitoring welfare reform impacts – who and where
- Communicating with communities about what the reforms mean
- Providing specialist advice and support;
- Providing training for front line staff
- Developing the capacity of partners to respond and their capability to respond;
- Linking welfare to procurement – seeking to create jobs through the supply chain

And housing organisations are:

- Simplifying payment mechanisms for rent;
- Re-designing stock – more smaller properties;
- Changing organisation structures to focus on front line;
- Offering a range of advice around employment and under-occupancy in particular;
- Bulking up their wider role activities.

In Manchester this matters:

- 5000 residents have been referred to the work programme;
- 67000 residents will be subject to the WCA and DR
- 41% of these will be assessed as fit for work
- 7000 residents will lose DLA
- 64000 will be transferred to universal credit;
- 14000 residents will be affected by under-occupancy.

The challenge is supporting them.