

## Greater Manchester Welfare Reform Dashboard

Q3, 2018

The purpose of this report is to monitor the roll out of Universal Credit and other welfare reforms in Greater Manchester, and the potential impacts of these changes. The dashboard is used to inform the priorities and actions of the GM Universal Credit & Welfare Reform group, whose focus is particularly on employment and skills outcomes and opportunities for residents. It is also a resource available to partners in GM who are involved in or have an interest in welfare reform.

The dashboard is updated on a quarterly basis and can incorporate new sources of information to reflect new policies or as additional data becomes available. Wherever possible data is presented at a Local Authority level as well as at a GM level to give a view of the implications of welfare reform in localities.

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### Context

There have been a number of significant changes to the welfare system in the UK since 2012, with no corner left unchanged. The biggest changes have been to tax credits, housing benefit, child benefit and disability benefits. Linked to these is the introduction of Universal Credit (UC), which replaces six means-tested working age benefits with a single payment. The roll out of UC began with pilots in 2013 in GM and the surrounding areas, which allowed new claimants who were single and seeking work to claim UC instead of legacy benefits. In 2016 UC full service for all claimant types began to rollout nationally. The Glossary contains a list of benefit definitions and Table 4 gives a timeline of UC full service roll out in GM.

## Autumn Budget Update

The autumn budget happened on the 29<sup>th</sup> of October and included a number of measures targeted at Universal Credit. From April 2019, UC work allowances will increase by £1,000. This allowance, which replaced working tax credits, relates to the earnings threshold that can be reached by eligible claimants before UC payments are affected. In GM, there are approximately 153,000 families that will benefit, by around £630 per year. The government also announced a £1bn package of extra support to help with managed migration. From next year, claimants of JSA, ESA and income support will continue to receive the old benefit for the first 2 weeks of their UC claim, reducing the time they have to wait between payments. This now aligns with how housing benefit is paid as claimants move over to UC.

In addition, the DWP responded to an independent report by the Social Security Advisory Committee regarding draft legislation for managed migration.<sup>1</sup> The DWP accepted 12 of the 11 recommendations made in the report, including the extra support mentioned above, a reduction in the maximum deductions that can be made to reclaim debt to the DWP from 40% to 30%, the creation of a one year grace period before the minimum income floor is applied to some self-employed people, and various other recommendations for better delivery, testing and evaluating of managed migration.

However, these improvements and cash injections to the welfare system are still set against 8 years of significant cuts that are not reversed by the announcements in the budget. Despite increases in spend for the NHS (and to some extent, aid and defence), there are £4 billion of cuts nationally still in the pipeline for the next 3 years.<sup>2</sup> These will likely fall on other public services, from prisons to local government.<sup>3</sup> Increases in funding for Universal Credit still leave the new benefit less generous than legacy benefits for the majority of claimants.

## Universal Credit

In September 2018 there were 80,800 people claiming Universal Credit in GM, a rise of nearly 14,000 since June 2018. Some 3.8% of the working age population in GM is now claiming UC, compared to 2.4% across the UK. As of September 2018 all GM Local Authorities have full service UC, apart from Bolton and Stockport, who transition in November. In full service areas all new claimants and all claimants with a change in circumstances are expected to claim UC, the only exception being households with three or more children.

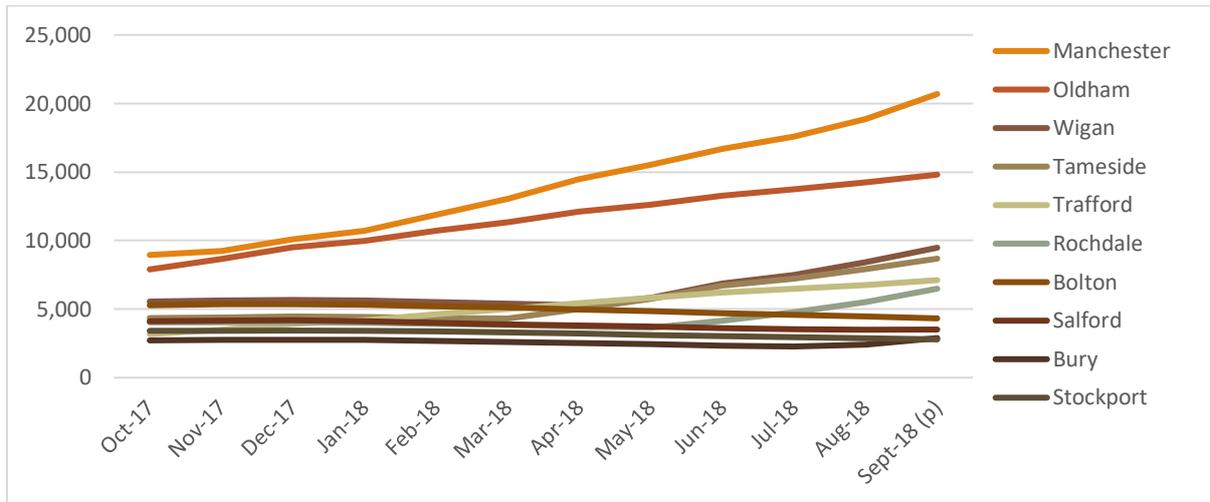
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<sup>1</sup> <https://www.gov.uk/government/publications/draft-universal-credit-managed-migration-regulations-2018-ssac-report-and-government-statement>

<sup>2</sup> Ben Zaranko, *The end of austerity?*, Institute for Fiscal Studies, November 2018

<sup>3</sup> Resolution Foundation briefing, *How to spend it: Autumn Budget 2018 response*, October 2018

Figure 1: People on Universal Credit by GM Local Authority: October 2017-September 2018



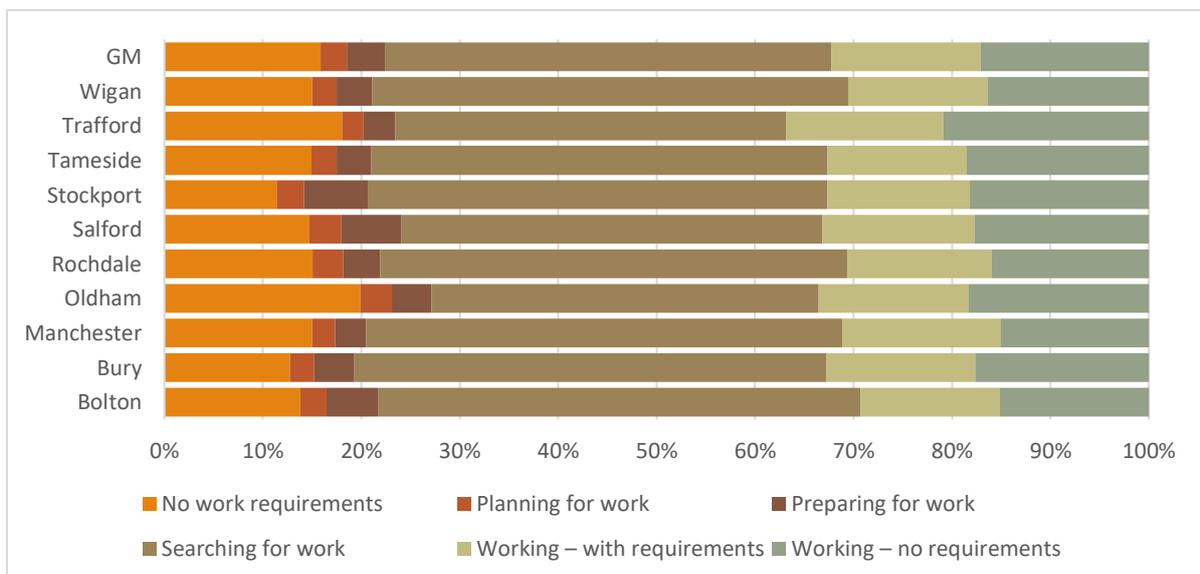
Source: DWP, Stat-Xplore

The latest household level data available is for June 2018, when there were 60,700 households claiming in GM, an increase of 23% in six months.

## Conditionality

The majority of UC claimants are required to look for work, 61% in GM overall, however this proportion is slowly decreasing as full service rolls out and new types of claimants become eligible who do not have to search for work. There are variations between the Local Authorities which reflect their current stage of Universal Credit implementation. Table 1 outlines the requirements for each conditionality regime.

Figure 2: Claimant conditionality regime by GM Local Authority: September 2018



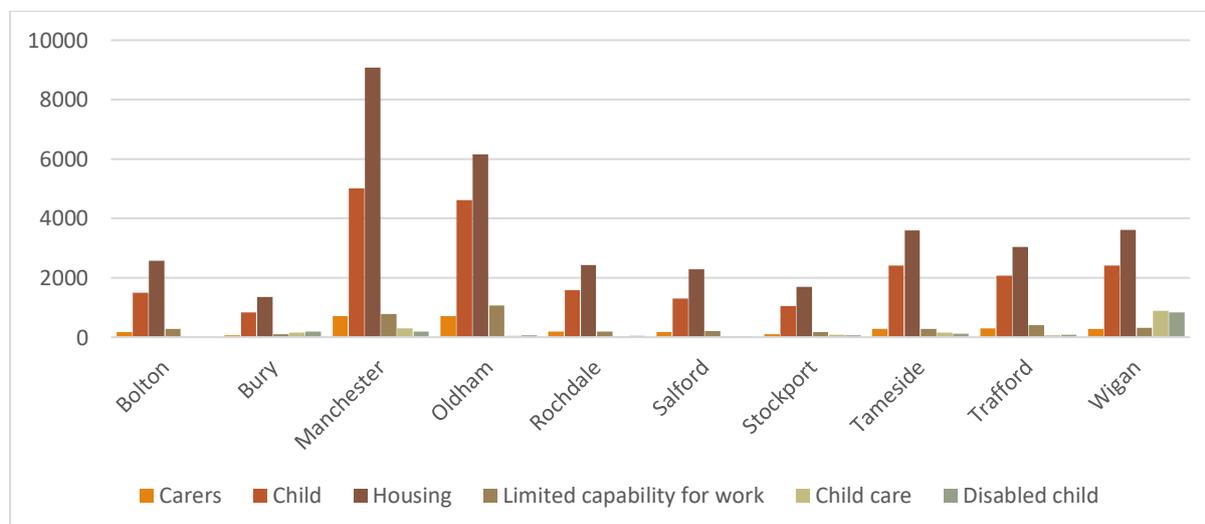
Source: DWP, Stat-Xplore

Table 1: Conditionality Regimes	Description
<b>No work requirements</b>	Not expected to work at present. Health or caring responsibility prevents claimant from working or preparing for work.
<b>Planning for work</b>	Expected to work in the future. Lone parent / lead carer of child aged 1. Claimant required to attend periodic interviews to plan for their return to work.
<b>Preparing for work</b>	Expected to start preparing for future even with limited capability for work at the present time (ESA WRAG) or a child aged 2, the claimant is expected to take reasonable steps to prepare for work including Work Focused Interview, training courses, CV preparation etc.
<b>Searching for work</b>	Not working, or with very low earnings (less than £338 per month for a single person or £541 for a couple). Claimant is required to take full time action to secure work - or more / better paid work.
<b>Working - with requirements</b>	In work but could earn more, or not working but has a partner with low earnings. Subject to all work-related requirements.
<b>Working - no requirements</b>	Individual or household earnings over the level at which conditionality applies (equivalent to 35 hours per week at the minimum wage). Required to inform DWP of changes of circumstances, particularly if at risk of decreasing earnings or losing job.

## Household entitlements

There are various elements of UC that a household may be eligible for, the two most common being housing and child. In June 2018, 55% of UC households in GM were receiving housing entitlement, 38% child, 5% carers and 3% child care and disabled child. The majority of UC households in June were single people with no child dependents, forming 60% of UC claimants in GM. A further 30% were single with child dependant(s), 8% couples with child dependant(s) and 3% couples with no child dependants.

Figure 3: Household entitlements by GM Local Authority: June 2018

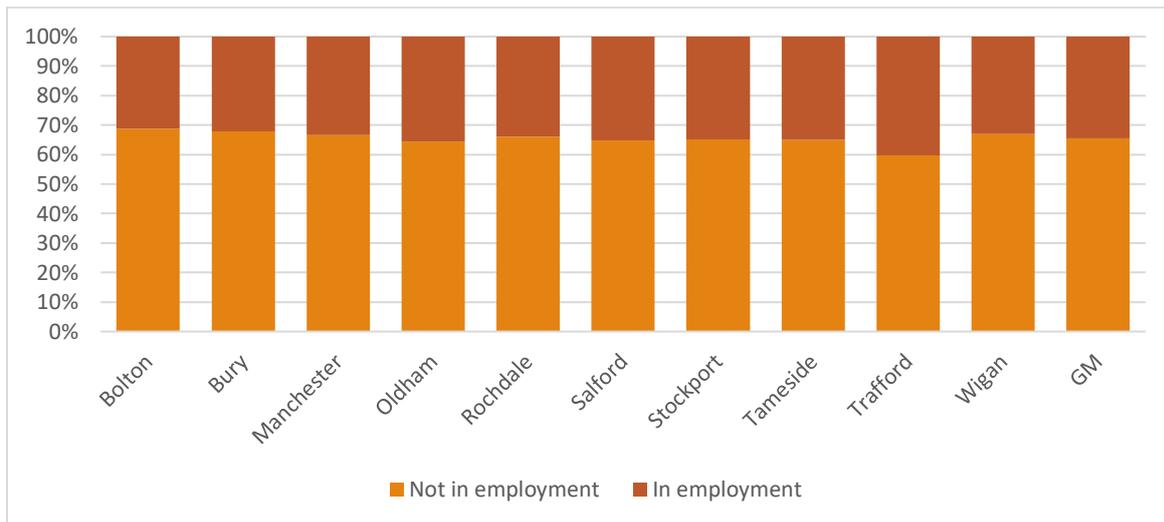


Source: DWP, Stat-Xplore

## Work Status

Within GM, 35% of UC claimants are in some kind of employment (for more than one hour per week) and 65% are not in employment (September 2018). These figures have remained unchanged since the previous quarter. There is little variation between the Local Authorities in terms of the employment status of UC claimants but again, these proportions are likely to change as more types of people move onto the new benefit.

Figure 4: Employment status of UC claimants by Local Authority: September 2018

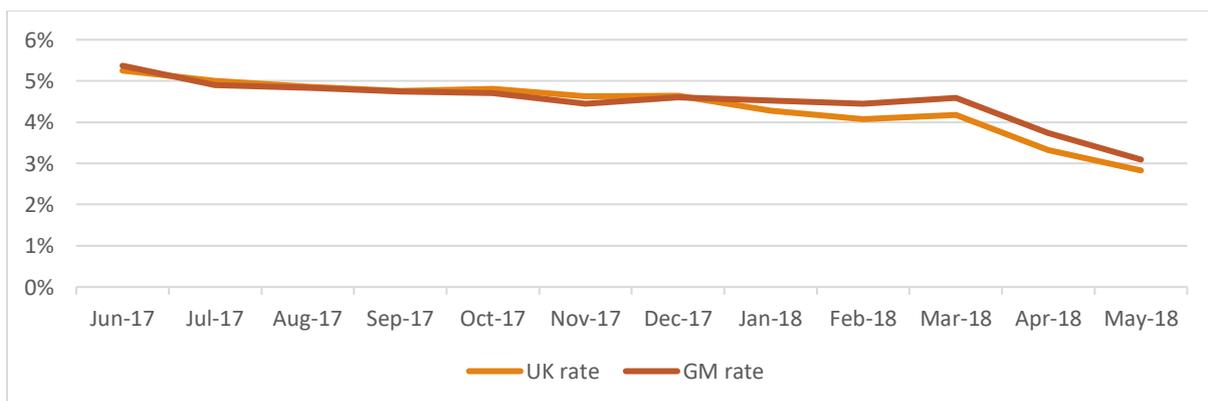


Source: DWP, Stat-Xplore

## Sanctions

To claim UC you must sign a claimant commitment, which details what you must do to receive the benefit. People who do not comply with some aspect of this may have their money reduced or stopped (sanctioned). The sanction rate for people claiming UC in GM closely mirrors the national average, both of which have been decreasing over the last 12 months. The latest data available relates to May 2018, when 2,000 claimants were being sanctioned. The proportion of sanctions which are applied to young people (16-24 year olds) in GM has also dropped during the 12 months to May 2018, from 41% (960) to 36% (700).

Figure 5: UC sanction rate over time: GM and UK



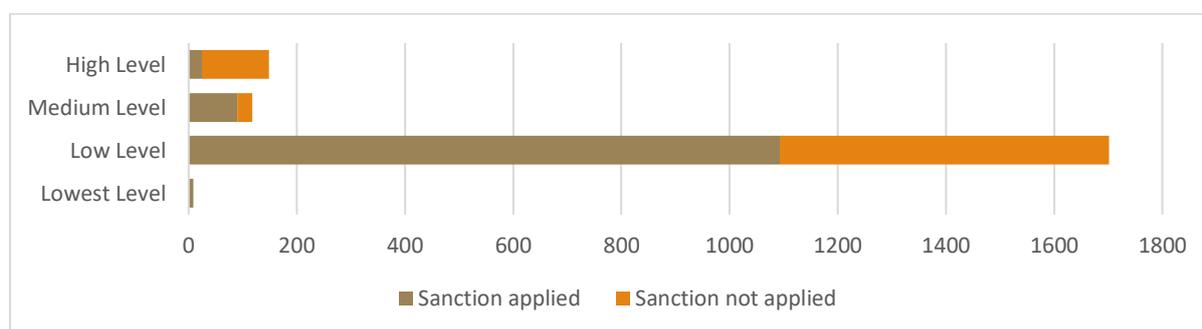
Source: DWP, Stat-Xplore

The majority of sanctions (91%) are applied to people in the ‘searching for work’ regime, with a further 5% applied to those ‘working- with requirements’ (in-work conditionality). Sanctions are carried over if a claimant moves between conditionality regimes, hence why the remaining 4% of sanctions are applied to people in regimes with little or no conditionality. A claimant can be referred for one of four sanction levels, depending on the reason for the referral, conditionality regime and number of previous sanctions.

Sanction Level	Conditionality Regime Level May Apply To
High (13 weeks – 3 years)	Full conditionality only
Medium (28 days – 3 months)	Full conditionality only
Low (until compliance with claimant commitment plus 7-28 days)	Full conditionality, work preparation and work focussed interview groups
Lowest level (40% of benefit until compliance)	Work focussed interview group only

Not all sanction referrals result in a sanction being carried out. In April 2018, 62% (1,223) of sanction referrals resulted in a sanction being applied, and 38% (763) were not applied. These proportions have remained steady since the previous quarter. Of those referrals that don’t result in a sanction, most are cancelled or decided in favour of the claimant at the original decision stage. As Figure 8 shows, the vast majority of sanction referrals were for low level sanctions, and high level sanction referrals were the least likely to result in a sanction being applied. Sanction referral and decision data covers UC live service claimants only, full service data is not available.

Figure 6: Outcome of UC sanction referrals by level in GM: April 2018 (live service)



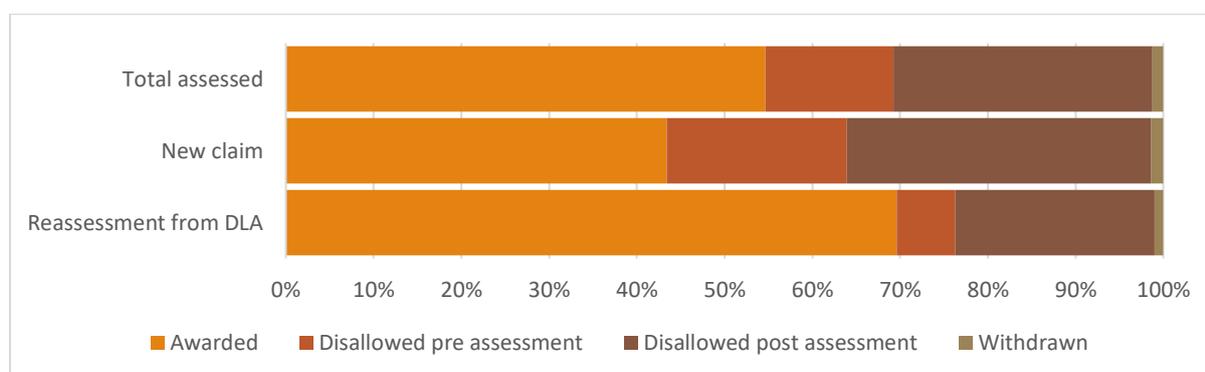
Source: DWP, Stat-Xplore

## Disability Living Allowance and Personal Independence Payments

Personal Independence Payment (PIP) is replacing Disability Living Allowance (DLA). The latest figures for DLA relate to February 2018, when there were 100,500 DLA claimants in GM and 94,700 PIP claimants, totalling 195,200 people. This represents a decrease of approximately 4,100 DLA claimants and an increase of 2,700 PIP claimants since November 2017. More recent figures are available for PIP – by July 2018 there were 103,200 PIP claimants in GM.

Every new claimant and every claimant moving onto PIP from DLA must apply and be assessed/reassessed by DWP contractors to determine their entitlement. Applications for PIP can then be awarded, disallowed pre-assessment (due to eligibility or not completing the application form correctly), disallowed post-assessment (as a result of the face-to-face assessment) or withdrawn by the applicant. Between August 2017 and July 2018, 55% of PIP applications in GM were awarded, 15% were disallowed pre-assessment, 30% were disallowed post-assessment and 1% were withdrawn by the applicant.

Figure 7: PIP assessment outcomes in GM: August 2017 – July 2018



Source: DWP, Stat-Xplore

Figure 9 shows that former DLA claimants have a much higher success rate when applying for PIP than new claimants. These figures mean that in the 12 months to April 2018, nearly 20,000 people in GM were unsuccessful in their application for PIP, one in four of whom were former DLA claimants.

## Employment Support Allowance

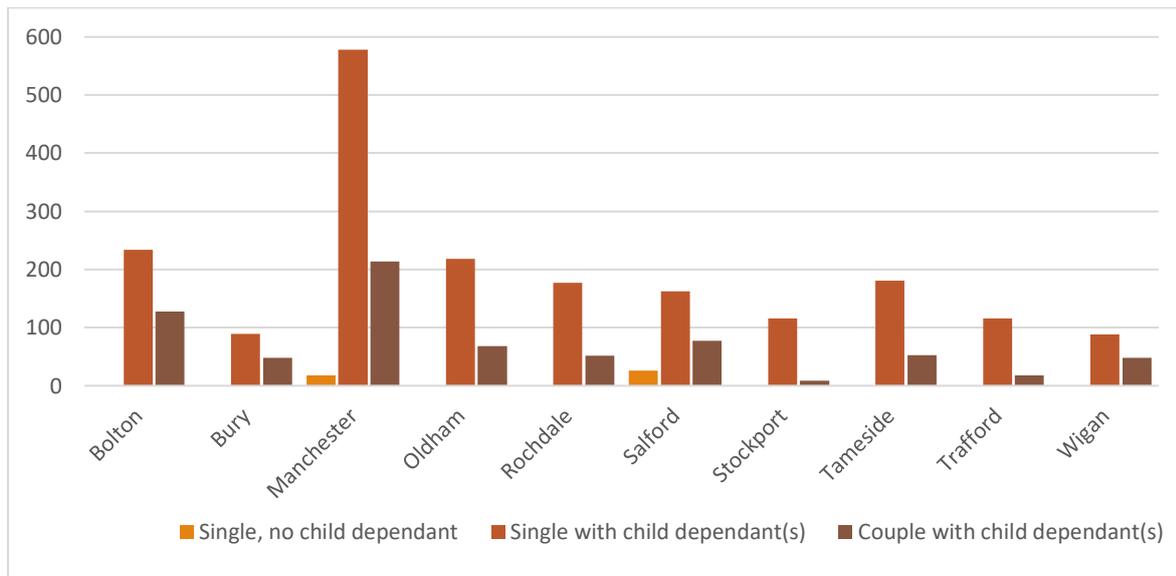
The latest ESA figures available relate to February 2018 when there were 128,490 people in the ESA system in GM. This represents a decrease of 1,320 since November 2017. As UC full service is rolled out, people who were previously eligible for income-based (rather than contributions-based) ESA must apply for UC instead. ESA claimants form around two thirds of all out of work benefit claimants in GM.

*DWP estimates of the number of ESA claimants who have been historically underpaid by an average of £5,000 have now risen to 180,000 people.*

## Benefit cap

The benefit cap limits the total amount of financial welfare support certain households can receive. It is currently set at £384.62 per week for couples with or without children, and single people with children, or £257.69 for single people without children. In May 2018, there were 2,730 households subject to the benefit cap in GM, 72% (2,070) of which were single parents and 26% (730) couples with children. The remaining 2% were single people with no children. Of the single parent households, 1,910 are female single parents. This means that 71% of all households subject to the benefit cap in GM are single women with children.

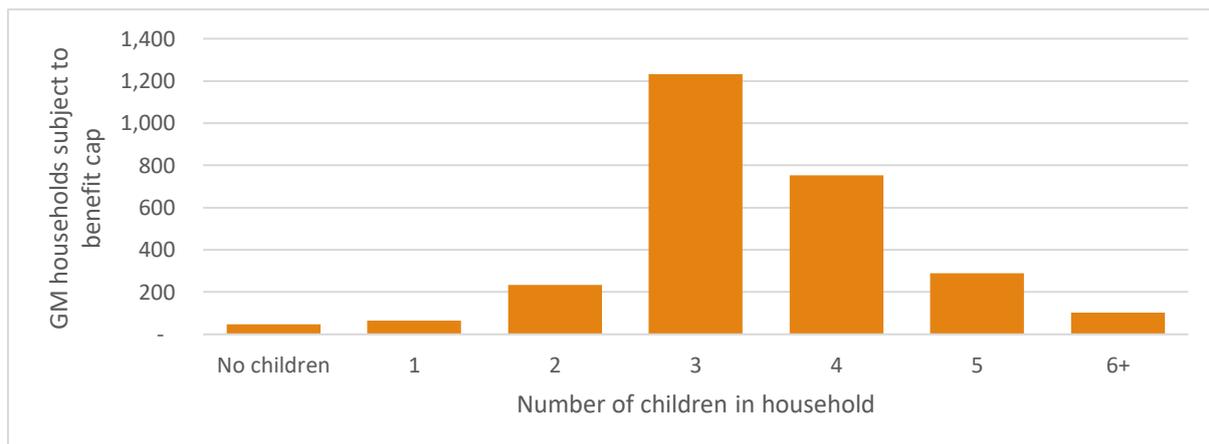
Figure 8: All households subject to the benefit cap by Local Authority and family type: May 2018



Source: DWP, Stat-Xplore

Households affected by the benefit cap in GM are losing on average £47.15 per week. This ranges from £36.85 in Bury to £51.49 in Manchester, although these averages will be reflecting average family size. Figure 9 demonstrates that the majority of households subject to the benefit cap contain three or more children. There are at least 9,300 children living in benefit capped households in GM.

Figure 9: Households subject to the benefit cap by number of children: May 2018

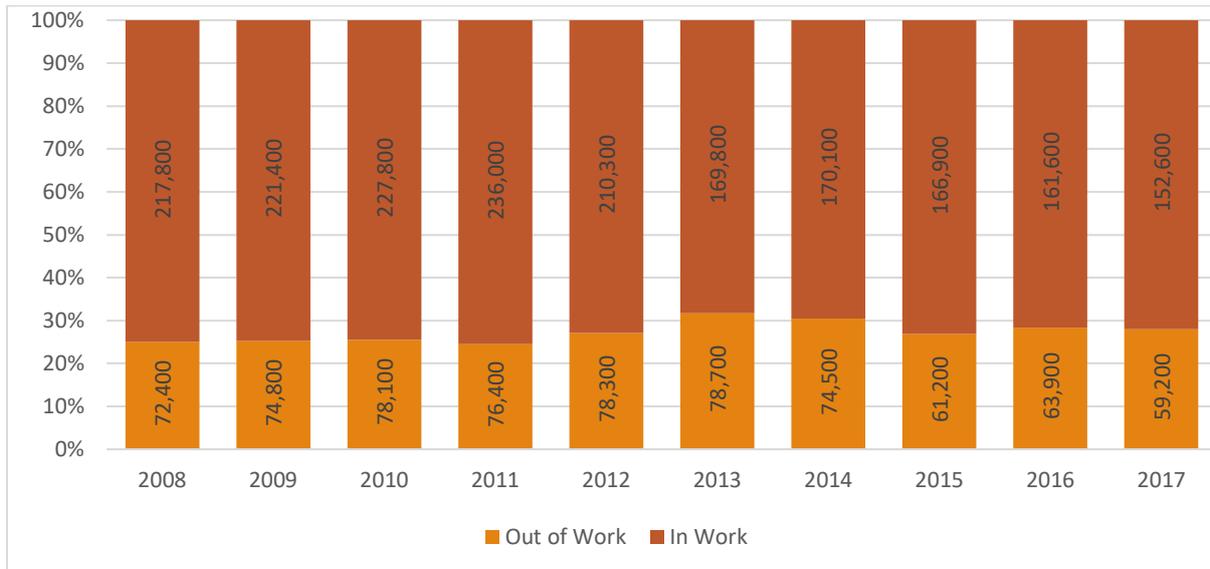


Source: DWP, Stat-Xplore

## Tax credits

The latest tax credits data available is for 2016/17 when a total of 211,000 families received income from the tax credit system in GM. Some 72% of these families were in work, a figure which remained unchanged compared to the previous year. The total number of families receiving tax credits decreased by 14,000, and has been falling since 2011. Total spend on tax credits between 2015/16 and 2016/17 decreased by £75 million, The number of families claiming tax credits will decrease as UC replaces this benefit.

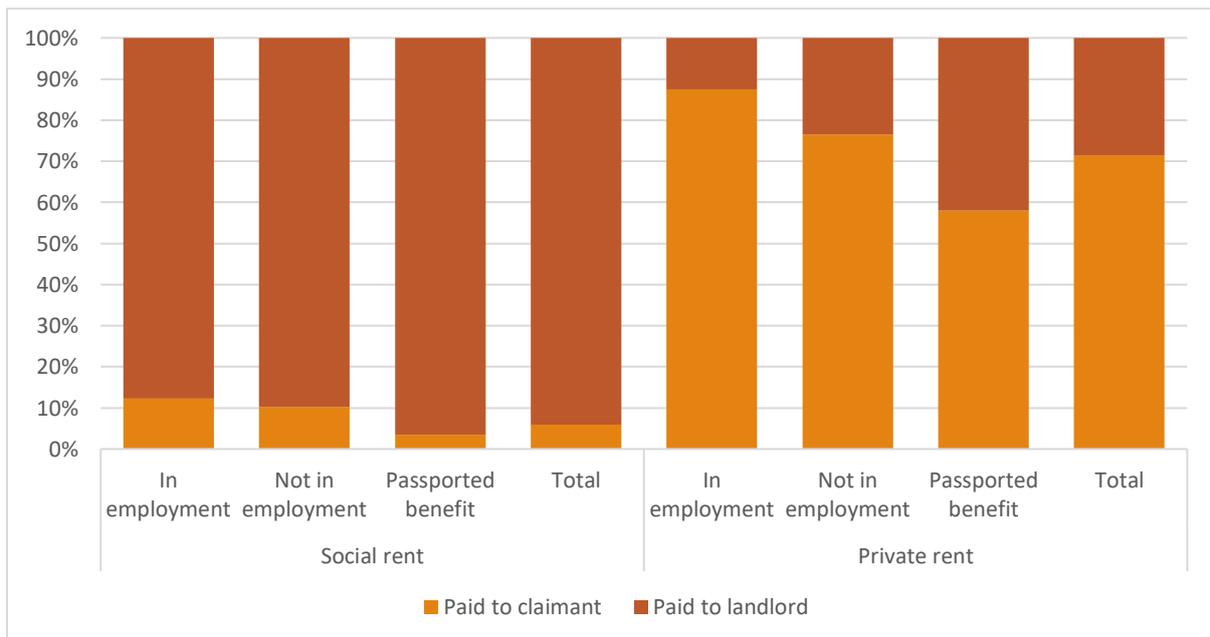
Figure 10: Families claiming in and out-of-work tax credits in GM: 2016/17



Source: HMRC, Child and Working Tax Credits Statistics 2016-17

## Housing Benefit

Figure 11: Housing Benefit claimants by employment status, tenure and payment destination: May 2018



Source: DWP, Stat-Xplore

Figure 11 shows that 94% of Housing Benefit claims in GM social housing are paid directly to the landlord. A significant culture shift will be needed once managed migration to UC is underway, as social landlords will only receive their rent directly in a small number of cases. Furthermore, 30% of claims in the private rented sector (around 18,000 households in GM in May 2018) are paid direct to the landlord. Many of these claimants are expected to need support with paying their rent following migration to UC.

## Poverty<sup>45</sup>

There has been an increasing focus on the impact of changes to local discretionary funding schemes that have occurred against the backdrop of welfare reform. Local discretionary funding schemes are used to mitigate some of the debt and financial problems that can result from families and people in crisis or difficult situations, including the cumulative impact of welfare reforms and/or benefit administration problems. Greater Manchester Poverty Action (GMPA) recently found that crisis support from local welfare assistance schemes in GM is considerably lower than it was under the Discretionary Social Fund, falling from just under £19 million in 2010/11 to £3.8 million in 2017/18.<sup>6</sup> Budget changes, the type of support available and the numbers of successful applications were also found to vary considerably across GM. GMCA is carrying out further research into the discretionary funding schemes situation in GM.

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*GMPA mapped 167 emergency food providers in GM, a number which has more than doubled in five years. Trussell Trust foodbanks in areas 12 months into full UC rollout saw a 52% average increase in demand, compared to 13% for other areas.*

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<sup>4</sup> [www.trusselltrust.org/whatwe-do/research-advocacy/universal-credit-and-foodbank-use/](http://www.trusselltrust.org/whatwe-do/research-advocacy/universal-credit-and-foodbank-use/)

<sup>5</sup> Independent Food Aid Network figures, 2017

<sup>6</sup> Graham Whitham, *The decline of crisis support in England*, Greater Manchester Poverty Action, September 2018

<b>Table 3</b>	<b>Glossary</b>
<b>Welfare reform</b>	The collective name for changes to the social security system, i.e. money paid to individuals and families by the government to provide a minimum income and additional income for specific purposes/needs.
<b>Universal Credit (UC)</b>	The benefit system that replaces six means tested benefits with a single payment. Live service = Original version of UC which closed to new claimants on 1 <sup>st</sup> January 2018. Full service = Full digital service. Claimant has an online account to manage their claim.
<b>Conditionality</b>	Obligations or patterns of behaviour that an individual must meet in order to gain access to welfare benefits and services.
<b>Sanction</b>	Penalties for not complying with conditionality. Sanctions reduce, suspend or end access to welfare benefits and services.
<b>Employment Support Allowance (ESA)</b>	A benefit for those who can't work due to illness or disability. The 'Support Group' has no work related requirements. The 'Work Related Activity Group' are expected to undertake actions to move them closer to the labour market like work experience and interviews with their Work Coach. Contributions-based ESA (now called 'new style') is based on a person's National Insurance contributions. Income-based ESA is based on income and is now being absorbed into UC.
<b>Job Seekers Allowance (JSA)</b>	A benefit for unemployed people who are looking for work. Contributions-based JSA (now called 'new style') is based on a person's National Insurance contributions, can last for up to 182 days and can be claimed alongside UC (although the JSA amount will be deducted from the UC claim). Income-based JSA is based on income and is now being absorbed into UC.
<b>Disability Living Allowance (DLA)</b>	Benefit to help with the extra costs of living with a disability. Now being replaced with PIP. Includes a care component and a mobility component.
<b>Personal Independence Payment (PIP)</b>	Replacing DLA but has different qualifying conditions which are stricter and reduce the financial award levels from three to two. Includes a daily living component and a mobility component. In 2018 the DWP announced that they were reviewing all 1.6 million claims for PIP following a court ruling which stated that the PIP assessments of mental illness and its effects were discriminatory.
<b>Assessment</b>	In relation to ESA/DLA/PIP – to claim one of these benefits you must have a face-to-face eligibility assessment with a DWP contracted organisation.
<b>Legacy benefits</b>	The benefits to be replaced by UC: Job Seekers Allowance (income-based), Employment Support Allowance (income-based), Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit.
<b>Benefit cap</b>	A limit on the total amount of benefit that working age people can get. Currently £384.62 per week for single people with children and all couples or £257.69 per week for single people without children. Some benefits are exempt, e.g. ESA Support Group, Working Tax Credit, DLA/PIP.
<b>Possession order</b>	Landlords or mortgage lenders can apply to the courts for a possession order to repossess a property from tenants. Various stages from the initial claim to repossession (eviction) mean the process takes on average 121 weeks.
<b>Tax credits</b>	Includes child tax credits for those with children, and working tax credits for those on low incomes. From April 2017, there has been 2 child limit on tax

credit support. Additionally, the family element of tax credits was removed on the same date. Lastly, the remaining elements of the tax credits system are being absorbed by UC.

<b>Table 4</b>	<b>Universal Credit Full Service: GM rollout schedule</b>
<b>May 2017</b>	Oldham
<b>July 2017</b>	Trafford
<b>October 2017</b>	Manchester (Alexandra Park, Didsbury, Rusholme)
<b>November 2017</b>	Manchester (Newton Heath, Openshaw)
<b>March 2018</b>	Tameside
<b>April 2018</b>	Wigan
<b>May 2018</b>	Rochdale
<b>July 2018</b>	Bury Manchester (Cheetham Hill, Wythenshawe)
<b>September 2018</b>	Salford
<b>November 2018</b>	Bolton Stockport

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