

HOW MANY FAMILIES ARE AFFECTED BY MORE THAN ONE BENEFIT CUT THIS APRIL?

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Introduction

This month (April 2013) three absolute benefit cuts come into effect in the UK:

- Replacement of council tax benefit by council tax support, estimated to cost 2.4 million families in England an average of £2.60 per week^{i ii}
- The under-occupation penalty (commonly known as the bedroom tax) expected to cost 660,000 families an average of £14 per weekⁱⁱⁱ
- The household benefit cap expected to affect 56,000 families with an average cut of £93 per week^{iv}

Alongside this, the value of the income-based benefits income support, jobseeker's allowance, and employment support allowance have been up-rated by only 1%. This is less than the rate of inflation in the previous September (2.2%) which until now was how up-rating has been calculated.

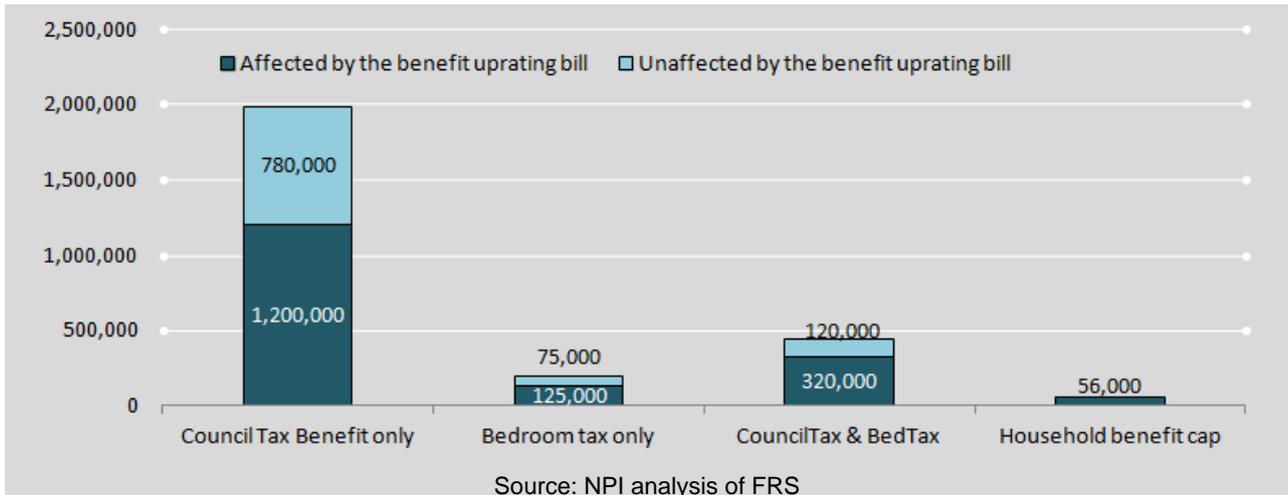
The estimated impacts that have been published so far deal with the scope and depth of each cut on its own. What have not been published are estimates of the extent to which families are affected by more than one such cut. This is a serious omission because being hit by two or more cuts rather than any one will make a big difference to a family's ability to cope. To remedy this, this paper reports NPI's own estimates of the extent of these overlaps, based on official data and building on previous single estimates.

The overlaps

The chart below shows our estimates of the extent of overlap between the three absolute benefit cuts and the benefit up-rating bill. Details of how we have reached these estimates are provided at the end of this paper. It shows that the household benefit cap sits in the shadow of the other two cuts. In fact the group is so small it isn't possible to analyse the full overlap with the other reforms in detail.

The two headlines are that:

- 2.6 million families (8% of families in the UK) are affected by at least one of the three absolute benefit cuts
- Just under half a million families are affected by more than one of these changes.



In more detail:

- The largest group is the 2 million families that have seen their council tax benefit cut only.
- Of the 660,000 families hit by the bedroom tax, most of them (440,000) have also had their council tax benefit cut as well.
- Those affected by both the bedroom tax and the change to council tax benefit now have on average £16.90 less in income a week. This is 20% higher than the individual bedroom tax cut and five times higher than the individual council tax benefit cut.
- Almost two thirds (63%) of the 2.6 million families affected by an absolute cut in benefit have also seen a fall in real terms to other benefits.
- In failing to consider the overlap between the benefit cuts DWP has seriously underestimated the impact that its reforms are having on individual households.

Who will be affected?

The table below shows the number and proportion of families affected by the change to council tax benefit and/or the bedroom tax with particular characteristics: they are in poverty, no adult in the family works, an adult in the family is disabled, and the family contains children.

	Council Tax only		Bedroom Tax only		Both		Total	
	Count	%	Count	%	Count	%	Count	%
In poverty	1,230,000	62%	120,000	61%	300,000	67%	1,640,000	63%
Workless	1,450,000	73%	160,000	80%	360,000	82%	1,970,000	75%
Disabled	930,000	47%	130,000	64%	270,000	62%	1,330,000	51%
Children	1,030,000	52%	50,000	24%	120,000	27%	1,200,000	46%

Source: NPI analysis of FRS

Around 63% of families affected by one of the cuts were already in poverty.^v This rises to 67% for those affected by the both council tax benefit and the bedroom tax. In total 1.6 million families already in poverty have to cope with further reductions in income.

Three quarters of those affected are out of work. When their benefits are cut, they do not have other sources of income to fall back on. To someone receiving jobseeker's allowance of £71.70, even the smallest of these cuts (for council tax) represents a 3.5% drop in disposable income.

Half (51%) of the families affected by either of the benefit cuts contain a disabled adult. If one way of coping with these cuts is to increase the amount of paid work done it is not clear what the solution can be for those with an impairment that prevents them from working.

Overall around one third of families containing a disabled adult receive Disability Living Allowance. Those on DLA will soon be reassessed when it is replaced with the Personal Independence Payment. It is expected that 20% will lose their entitlement completely.^{vi}

Just under two thirds of families affected by the bedroom tax contain a disabled adult. It has been argued that the bedroom tax is particularly unfair on disabled people who require adapted accommodation. Whilst not all disabled people will require specialised accommodation, this data suggests that this issue will not be an unusual one.

Under half (46%) of families affected contain children. Only a quarter of those affected by the bedroom tax contain children for the obvious reason that children increase the bedroom requirement of a family. So the average cut in benefit income for families with children should be below the overall average.

Flawed policies and better alternatives

What makes the situation worse is that these policies are a missed opportunity. In many cases, change is needed but by forcing it through welfare reform, these policies treat symptoms not causes. For example:

- The **replacement of CTB by CTS** has complicated a reasonably straightforward system for only small savings to the public sector as a whole. Even these are uncertain due to increased implementation and administration costs. By contrast, the reform of council tax itself, where there is much greater potential for improvement (for example, extra bands at the top and the bottom, as well as the single person discount), continues to be neglected.
- Although the **bedroom tax** claims to “make better use of available social housing stock”,^{vii} it only affects working-age, housing benefit claimants: 29% of under-occupiers in the sector. It also gives landlords no incentive to provide more appropriate sized dwellings. Addressing under-occupation through means-tested housing benefit is too narrow and discriminatory an approach. Policies that address the problem directly, rather than serving as a reason for benefit cuts, (for example, using flexible tenancies that offer long term security but not within the same property) are available and should be considered.
- The **up-rating of benefits** below inflation was justified on the basis that earnings did not reach this level either and that the incentive to work should be sustained.^{viii} But deciding on the arbitrary amount of 1% reflects the short term priority to reduce public spending on benefits. What is needed is a long term solution (for example, uprating working-age benefits in line with earnings indefinitely which would have the same practical result this year whilst holding out the prospect of future improvement when the economy can afford it).

Data notes

The un-sourced data in this note is based on NPI analysis of the Family Resources Survey 2010-11. In FRS we were able to identify how many families would be affected by the bedroom tax. Benefit received was inflated by 6% inline with growth in the average housing benefit amount over 18 months to more accurately reflect the present levels.

Earlier NPI research on the impact of council tax benefit changes gave us the number of claimants affected and average benefit cut for each region and working/non-working group. These were applied to the families receiving CTB in FRS. The number was then scaled up to reach 2.4 million as CTB claims are under-reported in FRS.

Families affected by the benefit up-rating bill were identified as those recorded in FRS as being in receipt of any of the following benefits: Income Support, (income-based) Job-Seekers Allowance, and (income-based) Employment Support Allowance.

Using FRS we were not able to identify the correct number of families affected by the household benefit cap as estimated by DWP. As such they were excluded from our overlap analysis. All of the data in this report regarding the household benefit cap refers to the DWP estimates.

The groups in the table are identified using variables from the Household Below Average Income dataset.

ⁱ Throughout this paper, the term 'families' means recipients of these benefits and (if they live with them), their spouse or partner and any dependent children.

ⁱⁱ The impact of localising council tax benefit, NPI, <http://www.jrf.org.uk/sites/files/jrf/council-tax-benefit-localisation-summary.pdf>

ⁱⁱⁱ Under occupation of social housing Impact Assessment, DWP, <http://www.dwp.gov.uk/docs/social-sector-housing-under-occupation-wr2011-ia.pdf>

^{iv} The household benefit cap starts to be trailed in April 2013 and will be rolled out nationally between July and September, Household Benefit Cap Impact Assessment, DWP <http://www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf>

^v Poverty refers to household with an after housing costs income of less than 60% of the equivalised median.

^{vi} Disability Living Allowance Reform Impact Assessment, DWP <http://www.dwp.gov.uk/docs/dla-reform-wr2011-ia.pdf>

^{vii} Under occupation of social housing Impact Assessment, DWP, <http://www.dwp.gov.uk/docs/social-sector-housing-under-occupation-wr2011-ia.pdf>

^{viii} Autumn Statement 2012, http://www.hm-treasury.gov.uk/as2012_statement.htm