

## Welfare changes by 2014/15

The Government has been keen to justify recent welfare changes by claiming that they will 'make work pay'. However, TUC analysis of the specific welfare changes that the Government has announced for working age households shows that a majority of the cuts introduced will affect working households. Our analysis is set out below.

### Annual working age welfare budget cuts to be implemented by 2014/15 by financial impacts for working and non-working households (£ millions)

Welfare changes by 2014/15	Amount cut	Non-working	Working
<b>Budget 2010</b>			
CPI Indexation <sup>i</sup>	£3,621 <sup>ii</sup>	£2,245	£1,376
DLA <sup>iii</sup>	£1,075	£656	£419
Lone parents <sup>iv</sup>	£180	£180	-
Health in Pregnancy <sup>v</sup>	£150	£26	£125
Maternity Grant <sup>vi</sup>	£75	£74	£1
Mortgage interest <sup>vii</sup>	£65	£65	-
Savings Gateway <sup>viii</sup>	£115	£58	£58
Housing Benefit <sup>ix</sup>	£1,248 <sup>x</sup>	£1,011	£237
HB cut for JSA claimants <sup>xi</sup>	£110	£110	-
Tax Credit threshold <sup>xii</sup>	£145	-	£145
Tax Credit withdrawal rate <sup>xiii</sup>	£765	-	£765
Family element <sup>xiv</sup>	£480	-	£480
Baby element <sup>xv</sup>	£275	£138	£138
50 plus element <sup>xvi</sup>	£40	-	£40
Toddler element <sup>xvii</sup>	£180	£90	£90
Income disregard <sup>xviii</sup>	£585	-	£585
Disregard for income falls <sup>xix</sup>	£420	-	£420
Backdating <sup>xx</sup>	£330	£79	£251
Child Benefit Freeze <sup>xxi</sup>	£975	£166	£809
Child Trust Fund <sup>xxii</sup>	£560	£95	£465
Child Tax Credit rise <sup>xxiii</sup>	-£1,995	-£998	-£998
Discretionary HB payments	-£40	-£32	-£8
Extra room for carer	-19	-15.39	-3.61
<b>Total Budget cuts</b>	<b>£9,340</b>	<b>£3,946</b>	<b>£5,394</b>
<b>Percentage Budget cuts</b>		<b>42%</b>	<b>58%</b>
<b>CSR 2010</b>			
ESA-C <sup>xxiv</sup>	£2,010	£1,407	£603
HB shared room rate <sup>xxv</sup>	£215 <sup>xxvi</sup>	£174	£41
Benefit cap <sup>xxvii</sup>	£270	£270	-
DLA mobility <sup>xxviii</sup>	£135	£135	-
CTB <sup>xxix</sup>	£304 <sup>xxx</sup>	£252	£52
Child Benefit <sup>xxxi</sup>	£2,500	-	£2,500
WTC <sup>xxxii</sup>	£625	-	£625
Childcare <sup>xxxiii</sup>	£385	-	£385
WTC hours <sup>xxxiv</sup>	£390	-	£390
Real time info <sup>xxxv</sup>	£300	£72	£228

<i>Child Tax Credit rise</i> <sup>xxxvi</sup>	-£560	-£280	-£280
Cold Weather payments <sup>xxxvii</sup>	-£25	-£25	-
<b>Total CSR cuts</b>	<b>£6,549</b>	<b>£2,005</b>	<b>£4,543</b>
<b>Percentage CSR cuts</b>		<b>31%</b>	<b>69%</b>
<b>Total working age welfare cuts</b>	<b>£15,889</b>	<b>£5,952</b>	<b>£9,937</b>
<b>Percentage of working age welfare cuts</b>		<b>37%</b>	<b>63%</b>

<sup>i</sup> Of the benefits affected by the move to uprating by CPI we have calculated that 38 per cent are received by working age households in work, and 62 per cent are received by working age households who are out of work. This analysis is based on other assumptions outlined below (e.g. that 76 per cent of households in receipt of Tax Credits are in work).

<sup>ii</sup> Not all of the benefits that will be affected by the CPI uprating are received by working age households. We have therefore excluded the following figures from the total working age cut, on the basis that they are benefits paid to pensioners: Second State Pension, SERPS, Attendance Allowance and 50 per cent of 'other' benefits which include free TV licenses and winter fuel payments. Housing Benefit is also excluded as while it will be uprated by CPI this measure is included in the Budget's analysis of overall Housing Benefit cuts. Child Benefit is excluded as it has been frozen and the Health in Pregnancy Grant and the Child Trust Fund are excluded as they will have been abolished by 2014/15. Of the remaining benefits that will be affected, some are payable to both working age and non-working age recipients e.g. 56 per cent of DLA recipients are of working age with the rest pensioners or children. While the Budget cut to benefits as a result of the CPI uprating is £5,840 million, only 62 per cent of that cut will therefore affect benefits paid to working age adults.

<sup>iii</sup> DWP research suggests that nine per cent of DLA claimants are in work: DWP (2010) Disability Living Allowance and work: Exploratory research and evidence review: <http://statistics.dwp.gov.uk/asd/asd5/rports2009-2010/rrep648.pdf>. This is a conservative estimate. We have also assumed that in addition, as with ESA, 30 per cent of DLA claimants live in a household where another adult works.

<sup>iv</sup> This cut will only affect lone parents who are in receipt of out of work benefits.

<sup>v</sup> The Family and Children's Survey shows that 83 per cent of families with children in the UK are in employment: DWP (2010) Families with children in Britain: Findings from the 2008 Families and Children Study (FACS) <http://campaigns.dwp.gov.uk/asd/asd5/rports2009-2010/rrep656.pdf>.

<sup>vi</sup> The Sure Start Maternity Grant is only available to families in receipt of an out of work benefit and to working families with a disabled or severely disabled child. We have therefore made a conservative assumption that one per cent of affected recipients will be in work.

<sup>vii</sup> Support with Mortgage Interest is only available to families in receipt of out of work benefits or to Pension Credit.

<sup>viii</sup> The most recent Households Below Average Income data shows that just over 50 per cent of working age adults living on less than 60 per cent of median income are in work.

<sup>ix</sup> The most recent CLG data (October 2010) shows that 19 per cent of Housing Benefit claimants of working age are in employment.

<sup>x</sup> 27 per cent of Housing Benefit recipients are pensioners, so cuts affecting this group have been excluded from our analysis.

<sup>xi</sup> This cut will only affect non-working households.

<sup>xii</sup> This Tax Credit change will only affect working families.

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<sup>xiv</sup> This Tax Credit change will only affect working families.

<sup>xv</sup> Using the most recent HMRC data we estimate that around 50 per cent of payments are made to households out of work (who are more likely to receive a maximum award) and that around 50 per cent are made to working households (who are more likely to receive a tapered award).

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<sup>xix</sup> This Tax Credit change will only affect working families.

<sup>xx</sup> The most recent HMRC data shows that 76 per cent of household claiming Tax Credits are in work.

<sup>xxi</sup> The Family and Children's Survey shows that 83 per cent of families with children in the UK are in employment: DWP (2010) *ibid*.

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<sup>xxiv</sup> This cut will impact on working age disabled people who have a household income that means they do not pass a means test for entitlement to income based Employment and Support Allowance. We have made a conservative estimate that 30 per cent will fail the income test because they live in a household where another adult is working, and that 70 per cent will fail the income test because of savings.

<sup>xxv</sup> The most recent CLG data (October 2010) shows that 19 per cent of Housing Benefit claimants of working age are in employment. This may be an underestimate of the number of working households affected by these changes, as the DWP's analysis shows that the numbers of households in employment is higher for HB tenants in private rented sector accommodation than for HB claimants as a whole.

<sup>xxvi</sup> Unlike other Housing Benefit changes, this cut will only affect claimants of working age.

<sup>xxvii</sup> This cap does not apply to households in receipt of Working Tax Credit, so we have assumed that all households affected will be out of work.

<sup>xxviii</sup> While nine per cent of DLA claimants are in work (see below) we have made a conservative assumption that DLA claimants in receipt of the higher rate mobility premium who live in residential care will not be in paid employment.

<sup>xxix</sup> The most recent CLG data (October 2010) shows that 17 per cent of working age Council Tax Benefit claimants are in employment.

<sup>xxx</sup> The most recent CLG data (October 2010) shows that 62 per cent of Council Tax Benefit recipients are of working age, so only cuts affecting this group have been included.

<sup>xxxi</sup> This cut only applies to households where one adult is a higher rate taxpayer, so all households affected will be in work.

<sup>xxxii</sup> This Tax Credit change will only affect working families.

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<sup>xxxiv</sup> This Tax Credit change will only affect working families.

<sup>xxxv</sup> The most recent HMRC data shows that 76 per cent of household claiming Tax Credits are in work.

<sup>xxxvi</sup> Using the most recent HMRC data we estimate that around 50 per cent of payments are made to households out of work (who are more likely to receive a maximum award) and that around 50 per cent are made to working households (who are more likely to receive a tapered award).

<sup>xxxvii</sup> We have assumed that 50 per cent of recipients of Cold Weather Payments are of working age. These payments are only available to households who are in receipt of out of work benefits.