



## A Guide to The Welfare Reform Act 2012

The UK Coalition Government introduced the Welfare Reform Act in 2012. The legislation will bring about radical changes to the way in which a number of welfare benefits and tax credits are assessed and administered.

The Act sets out the basics of Welfare Reform - i.e. the new benefits that will be available, sanctions, claimant responsibilities etc. The amounts available under these benefits and the conditions associated with them will be laid out in Regulations, which are yet to be drafted.

### KEY REFORMS

There are two main changes being implemented under the Act.

- The introduction of **Universal Credit**
- The introduction of **Personal Independence Payment**

**The purpose of this guide is to outline how these new provisions will affect the day to day lives of women in Scotland.**

# UNIVERSAL CREDIT

## *What is Universal Credit?*

Universal Credit (UC) will come into force in **2013** and will replace:

- Income-based Jobseeker's Allowance;
- Income-based Employment and Support Allowance;
- Income Support;
- Child and Working Tax Credits;
- Housing Benefit; and
- Council Tax Benefit.

UC will be available both to those out of work and those in work on low incomes. Applications will be made **online** and it is up to the claimant to manage their claim through an online account. **Universal Credit will be paid to claimants on a monthly basis, in arrears.**

## *What is Universal Credit Made up of?*

### Standard Allowance

UC will consist of an age-related standard allowance with other elements, such as childcare, housing and other costs, to be added as appropriate. There will be different rates standard of allowance for

- single claimants under 25,
- single claimants age 25 and over,
- couples where both are under 25 and
- couples where one or both are aged 25 and over.

**The rates that are to apply when UC is introduced in 2013 are yet to be decided.**

### The Child Element

This will be part of a UC claim where the person claiming has responsibility for a child or qualifying young person. That child/young person must normally live with the claimant.

There will be one rate for the first/only child and a reduced rate for any other children.

### Housing Element

In order to qualify for the housing element of UC, the person making the claim must be the one who is liable for payments in respect of the property they occupy as their home.

Under certain circumstances, a person can be considered as occupying more than one place as their home. This is the case where there is a fear of violence in the accommodation normally occupied in the home.

An 'under-occupation deduction' will come into force under UC. This is also referred to as the 'bedroom tax'. Reductions will be made to the amount of housing benefit a person receives if they are deemed to exceed the number of bedrooms to which they are entitled to under the Regulations.

### Carer Element

In order to qualify for the carer element of UC, a person must provide care for at least 35 hours per week and provide such care to a **severely** disabled person.

### Childcare Costs Element

In order to qualify for childcare costs a person must have responsibility for a child and paying childcare costs means that they can remain in work. Qualification does not depend on a person working specific hours.

**The costs will be paid as 70% of up to £760 for one child or £1300 for two or more children per month.**

### Tax Credit Element Qualification

Single people with children will have to work at least 16 hours per week .

For couples, joint working hours need to be at least 24 a week, with one person working at least 16 hours a week.

In a couple where only one person is working, that person must be working at least 24 hours a week.

### ***Will there be a cap on the Benefit?***

There will be a cap so that households in receipt of out of work benefits do not receive more money in a week than working households do, on average, after tax and National Insurance. The cap will initially be administered by Local Authorities via housing benefit.

**The level of entitlement to welfare benefit will be capped at £2016 for couples and lone parents and £1517 for single people.**

There will be certain exceptions to the cap including households in receipt of Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefit.

### Capability to Work

#### ***How will the Government decide who is to 'Capable for Work and Work-Related Activity'?***

Claimants will be subject to a **work capability assessment (WCA)**. This will decide whether a person is 'fit for work'. There are three categories of claimant:

- *'Limited capability for work' (LCW)*
- *'Limited capability for work and work related activity' (LCWRA)*
- *'Fit for work'*.

A claimant will have to provide medical evidence and a WCA will be carried out to determine whether they are capable for work.

If someone is deemed to be fit for work, a further WCA cannot be made unless a new condition develops, the existing condition gets worse, or the initial decision was based in misinformation.

Terminally ill claimants will be considered in the LCWRA group straight away.

## ***Do Universal Credit Claimants Have Responsibilities?***

In order to receive UC, claimants must accept a Claimant Commitment (CC). Those who are fit for work or who have limited work requirements are expected to accept their initial CC. For other claimants, personalised commitments will be created during face-to-face discussion with their benefits adviser.

CCs will be revised on an ongoing basis. Claimants who refuse to accept their Commitment will not receive UC. They will, however, be given a 'cooling off' period to reconsider their decision.

### **Claimant Responsibilities: Basic Structure**

Claimants with an adequate level of earnings or those with limited capability and circumstances do not need to undertake any of the following requirements.

All other claimants will be subject to these work related requirements.

There are four basic categories that can be imposed:

- **Work-focused interviews** - claimants will have to attend interviews to discuss plans and opportunities for returning to work
- **Work preparations** - claimants will undertake actions to prepare for work, such as attending training courses, preparing their CV or taking part in the Work Programme
- **Work Search** - claimants must take all reasonable action and any specific actions to find work, such as applying for jobs or registering with recruitment agencies
- **Work availability** - claimants must be available and willing immediately to take up work

Claimants will be expected to follow requirements which are set dependent on capability and circumstance. They will fall into one of three groups:

- **Work-focused interviews only**

This applies to claimants who are only expected to begin thinking about getting into work, more work, or better paid work. These claimants include lone parents (or nominated responsible carers) of children aged 1-5.

- **Work preparation**

This will support people to prepare for a move into work, more work or better paid work. They will not have to apply for or get into work as a condition of their claim.

- **All Work Related Requirements**

Claimants will fall into this 'default' group unless they qualify for any of the two above. The work they look for will usually be full time and may be of any type. There will be exceptions to the full time rule, e.g. in circumstances where the claimant is a responsible carer for a child between 5-13 years old, they have caring responsibilities (as a parent) for someone with a physical or mental impairment or they themselves have a physical or mental impairment which limits their ability to work 35 hours per week.

Some claimants will fall into the **No Work Related Requirements Group**. This group applies to people who cannot be reasonably expected to work/prepare for work, or if they are already earning all they reasonably can.

Claimants who fall into this category include

- those in receipt of Carer's Element,
- lone parents with children under 1 year old,
- women who are pregnant for 11 weeks before the expected week of confinement and 15 weeks after and
- those above State Pension age.

### *Will there be 'sanctions' for people who do not comply with the requirements?*

There will be four levels of sanction - high, medium, low and lowest.

#### **High Level Sanctions**

These will apply to the all-work related requirements group. Those who fail to meet the following requirements, without good reason, will be sanctioned:

- failure to undertake mandatory work activity.
- failure to apply for a particular job.
- failure to take up an offer of paid work.
- ceases paid work by reason of misconduct or voluntarily without good reason.
- loses pay by reason of misconduct or voluntarily without good reason.

- **Medium Level Sanctions**

These will apply to the all-work related requirements group and will apply in circumstances where there is a

- failure to take up all reasonable work search or
- failure without good reason to be able and willing immediately to start work.

- **Low Level Sanctions**

These apply to the all-work requirements, work preparation and work-focused interview groups. These include failure, without good reason, to provide evidence and comply with work preparation requirements.

- **Lowest Level Sanctions**

These sanctions apply where those in the work-focused interviews group fail to participate in an interview, without good reason. The sanction will be open ended.

# PERSONAL INDEPENDENCE PAYMENT

Personal Independence Payment (PIP) is a new benefit. It will replace Disability Living Allowance (DLA) **for people of working age from April 2013.**

## *What is PIP made up of?*

There will be two parts to the new PIP - a Daily Living Component and a Mobility Component. Claimants will receive one or both depending on their circumstances. There will be a standard rate and an enhanced rate.

**The amount for each rate is still to be decided.**

Entitlement for PIP will be based on how a disability or health condition impacts upon the person making the claim and how far they are able to participate and live independently in society.

## *Are there Qualification Periods for PIP?*

First time claimants will be subject to a three month qualifying period. This is the period during which the person has had the disability or condition. It must also be established that any needs arising from the disability or condition be expected to last a further nine months. This is called the 'prospective' test.

For those who are already in receipt of DLA the three month qualifying period will not apply. They will, however, still have to meet the 'prospective' test.

People with terminal illnesses will automatically be fast-tracked onto the enhanced rate of the Daily Living Component. If they qualify for the mobility component this can also be applied for.

## *Will people who receive DLA automatically be put onto PIP?*

**There will be no automatic transfer. Those in receipt of DLA will have to make an application for PIP when invited to do so.**

Entitlement to the new benefit will depend upon an individual's ability to carry out daily living and/or mobility activities.

## *How will assessments to entitlement be made?*

The assessment will involve a healthcare professional who will look at the claimant's personal circumstances in order to ascertain how they are affected by their disability/condition. Evidence will also be considered from the claimant and any professional person they are supported by on a regular basis.

Most claimants will attend a face-to-face consultation with the healthcare professional as part of the claim process. The healthcare professional will provide advice to a benefit decision maker at the DWP who will use all information received to decide the claimant's entitlement to PIP.

# THE SCOTTISH PERSPECTIVE

## *Why did the Scottish Parliament establish a specific committee on Welfare Reform?*

As a result of the Act, the Scottish Parliament established a Welfare Reform Committee. The purpose of this Committee is to

- keep under review the passage of the UK Welfare Reform Act 2012,
- monitor its implementation as it affects welfare provision in Scotland and
- consider relevant Scottish legislation and other consequential arrangements.

## **Committee Timeline**

- Michael McMahon MSP was selected as Convener and Jamie Hepburn MSP as Vice Convener at the first meeting of the Committee on 23rd February 2012.
- On 13th March, the Committee took evidence from various organisations and individuals on the general implications of Welfare Reform and the specific impact on children and families.
- Following this, a Call for Evidence was opened on the general principles of the **Welfare Reform (Further Provision) (Scotland) Bill** (the Bill). This proposes that the Scottish Government be given powers to introduce regulations under the UK Act and amend other Scottish legislation relating to the Act.
- The Committee took oral evidence from a number of organisations throughout April and May and published their official report on Stage 1 of the Bill.
- The Bill passed Stage 3 on 28th June.
- From September the Committee will look into specific aspects of Welfare Reform, by talking directly to individuals affected by the changes, visiting housing associations and setting out further Regulations.

## *Why did the Scottish Parliament legislate?*

The establishment of this Committee indicates that the Scottish Parliament is committed to monitoring the changes in the welfare benefit system put in place by the Westminster Government.

The Act will remove a number of associated 'eligibility hooks' for passported benefits through the introduction of UC and PIP. These include free NHS dental treatment, optical vouchers, the 'blue badge' parking benefit and Concessionary Travel. Under existing structures, people on Jobseeker's Allowance, DLA etc are automatically entitled to these passported benefits. Once UC and PIP are introduced this entitlement will cease. From an SWC perspective, continuation of these benefits will allow women to contribute to and be actively involved within society.

The purpose of the Scottish legislation is to protect access to vital sources of support for many people throughout the country. This is 'enabling' legislation, which means it sets out an overview of what the provisions will be, however exact details will be made by Regulations at a later date.

# THE SCOTTISH WOMEN'S CONVENTION

As part of the SWC 2012 roadshow programme, women have been asked how the changes to welfare benefits and tax credits are affecting them and families in their area. There is genuine concern amongst women that they will be worse off once UC and PIP are introduced.

Throughout discussions with women, a number of concerns have been raised:

- **Payments being made on a monthly, as opposed to a weekly, basis.**  
This will force women to change the way they already carefully budget money they receive.
- **Changes to working hours thresholds for tax credit entitlement.**  
Few employers will be either willing or able to provide extra hours in order to maintain tax credit entitlement. Families rely upon money they receive as a vital source of assistance.
- **'Fit for work' examinations are considered unjust.**  
Jobs which women are forced to apply for, or face sanctions including suspension of benefits, are often unsuitable to their needs.
- **Applications being made online.**  
The requirement to fill out complex forms in this way is causing genuine concern amongst women. They often do not have the skills or confidence to use a computer and many places which offer free internet access are public spaces where confidential information can be seen.
- **The introduction of a 'bedroom tax'.**  
Little consideration has been made for those who require a room for an overnight carer or a child staying with a parent who is not their primary carer.

It is hoped that this guide will clarify, as far as possible, what will be required in order to qualify for each component of the new benefit structures.

The Scottish Women's Convention (SWC) is funded to engage with women throughout Scotland in order that their views might influence public policy.

This is achieved in a number of different ways - through roadshow, round table, conference and celebratory events. Following each event a report is compiled and issued to women who attend and relevant policy and decision makers.