

# **Welfare reform: Implications and Options for Northern Ireland**

**Goretti Horgan, University of Ulster**

## **Introduction**

The stated objectives of the Welfare Reform Bill 2012 – to simplify the benefits system and to make work pay – are to be welcomed by all. However, there are growing concerns that the measures contained in the Bill do not take account of the particular circumstances of Northern Ireland and, especially, the nature of the child poverty issues we face. This briefing examines the ways in which the Bill, which has the potential to lift 10,000 children out of poverty if enough well-paid employment is made available, may actually have the opposite effect of deepening the poverty that many children face in the north of Ireland.

There can be no question of the Assembly breaking parity completely on matters of social security without causing a constitutional crisis (as well as a financial one). However, policy variations that ameliorate some of the worst impacts of the Welfare Reform Bill's proposals are possible – and necessary – within the bounds of parity.

It is not often acknowledged that the principle of parity is not an absolute one and that our DSD Minister has much leeway in relation to how the UK social security system is regulated and implemented here. Section 87 of the NI Act 1998 (Consultation and co-ordination) states: "The Secretary of State and the Northern Ireland Minister having responsibility for social security ("the Northern Ireland Minister") shall from time to time consult one another with a view to securing that, to the extent agreed between them, the legislation to which this section applies provides single systems of social security, child support and pensions for the United Kingdom. In other words, parity means maintaining a single system of social security, not necessarily one that has the exact same regulations and operational procedures. This gives the Assembly some room to shape the Bill to take account of Northern Ireland's high rates of mental ill-health, low waged jobs and persistent child poverty as well as its poor provision of childcare and other public services such as transport which are necessary for a vibrant economy and labour market (Horgan and Gray, 2012).

Northern Ireland is the UK region with the highest percentage of households with children (34%), compared to a UK average of 28%. As well as having more families with children, the

region also has more children within families and a higher proportion of larger families (with four or more children). Our rates of persistent child poverty are more than twice that in Scotland, England and Wales (Monteith, et al, 2008). The income families with children in Northern Ireland have already been badly affected by welfare reforms introduced since 2010, with consequent lowering of living standards for those in the bottom half of society. Those families face a further drop in living standards over the coming three years and the Assembly needs to move to protect families in any way it can.

### **Overall Impact of Welfare Reform on Child Poverty in Northern Ireland**

The Institute for Fiscal Studies has shown that families with children are being hardest hit by welfare reform across the UK. But it estimates that Northern Ireland, because it has a relatively large proportion of households with children and higher levels of disability, will lose more income than any other region of the UK outside London. Households with children will lose 2-3 percent more of their incomes than will childless households. Families at the bottom of the income distribution will lose most – almost 10 percent of their household income (Browne, 2011).

There are a range of reasons why all households towards the bottom of the income distribution will lose out: benefit rates will progressively become lower and lower as a result of using the Consumer Price Index (CPI) to uprate them rather than the Retail Price Index (RPI). For families with children, the combination of the cash freeze to Child Benefit and Working Tax Credit, with the withdrawal of the family element of Child Tax Credit beginning at lower income levels than before **and** an increase in the weekly working hour's requirement in Working Tax Credit from 16 to 24 for couples with children will hit them hard.

### **Impact of changes to Housing Benefit**

Over the last two years, there have been a range of changes to how Housing Benefit (HB) is paid that threatens the stability of families with children, particularly owner-occupiers who have lost their jobs in the recession and families in the private rented sector.

The changes in Housing Benefit which have already been introduced mean that some families with children will lose their owner-occupied homes; other changes in relation to Private Rented Sector (PRS) tenants risk those tenants falling into arrears until evicted by private sector landlords, while other families will ration food or buy less healthy food in order to pay rent shortfalls (Gray and McAnulty, 2009).

Discussions of the under-occupancy rule – known colloquially as “the bedroom tax” – have tended to assume that only middle-aged people whose children have left home will be affected. However, under the current rules on Housing Benefit, a child under the age of 15 is expected to share with another child of the same gender, while children under 9 are expected to share with another child regardless of gender. An additional room is allowed for the carer of a disabled person where they provide over-night care for the claimant or partner. It is already the case that social housing tenants are penalised for having adult children living in the house with them, even when those adult children are students, NEET or even when they are foster children who have remained in the foster home having ‘grown out of care’. In addition in calculation of occupancy there is no reference to an allowance of an additional room for overnight carers of disabled children, only to a disabled claimant or partner.

A £30m allocation for discretionary housing payments to foster carers and families with a disabled child was recently announced by the Westminster Government. While similar discretionary housing payments are available currently in Northern Ireland, there are concerns about whether the discretionary payments fund is large enough to cope with demand or whether it is spread too thin to help keep families from going into serious arrears of rent.

There are a range of measures that the Assembly could implement that could potentially be cost-neutral. Those that have cost implications need to be fully costed and the cost compared with the likely costs of dealing with homelessness and other social problems. Such a cost-benefit analysis would help MLAs to decide whether it would be cheaper in the long-term not to include some provisions in the Bill.

For example, the Assembly could decide not to implement the under-occupancy rule until our social housing stock has sufficient one and two bedroomed homes to meet needs. Or, if it is implemented generally, social housing that is deemed to be under-occupied, but has children in it could be exempted from reductions in Housing Benefit. In addition, the Assembly needs to make a clear decision about how older children are dealt with in the calculation of under-occupancy and ensure that an additional bedroom is allowed for an overnight carer of disabled children.

As suggested by the Scottish Executive, the NI Executive could work with mortgage lenders to explore ways in which families with children can remain in homes that are being repossessed. Given the state of the housing market, it makes little sense to evict families

from such homes; as well as breaching children's rights, it results only in another vacant home and homeless family. Mortgage lenders should also be engaged to allow buy-to-landlords bring down rents and to ensure that families do not have to spend on rent money which is supposed to provide food, heat and other necessities for children.

Information on how many homes there are in the thirtieth percentile of rents in each Broad Rental Market Area (BRMA) is needed if MLAs are to be able to assess objectively whether they should continue to require Housing Benefit to be calculated on the 30<sup>th</sup> percentile of rents. Until there is evidence that such properties are available, households with children must be exempted from the move calculating LHA on 30<sup>th</sup> percentile. Again, we need a cost-benefit analysis to ascertain the long-term cost of this already-introduced provision.

### **Changes to Disability Benefits**

Northern Ireland has double the proportion of its population in receipt of DLA than is the case in Britain. The big difference in relation to reasons for DLA receipt in Northern Ireland is mental health causes, where we have a 26% higher rate of mental ill-health serious enough to lead to an award for DLA – 23% of our DLA recipients have mental health issues, compared to 17% in GB. Many of these recipients will be parents living in poverty and their children's living standards will be seriously impacted by any loss of income if PIP assessments discriminate against people with mental ill-health. Further, we have higher rates in NI of young people who suffer from mental ill-health so any bias in PIP regulations against meeting the additional living costs of people with mental ill-health will impact on them also.

High levels of Disability Living Allowance (DLA) awards are part of the reason why NI's levels of child poverty are not several percentage points higher (McInnes et al, 2012). Given the stated aim of the Westminster government in moving from DLA to Personal Independence Payments (PIP) is to cut the budget by 20% and given that those with mental disorders are expected to bear the brunt of the budget cut, the Assembly must act to take account of the circumstances of Northern Ireland or see child poverty rates soar.

The Assembly should set up an expert group to examine the Work Capability Assessments (WCA) being carried out to move claimants from IB to ESA and the new assessments which will be introduced as DLA is abolished and PIPs introduced. The expert group should include psychiatrists who work with people who have PTSD, as well as paediatricians and other experts in disability, both childhood and adult. This expert group could develop a WCA and

PIP assessment that takes into account the particular issues of a region emerging from conflict where our high levels of mental ill-health are severely exacerbated by PTSD.

Those with the severest disabilities, whose conditions are guaranteed not to improve in any marked way, could be 'screened out' and exempted from the trauma of the assessment process.

AdviceNI suggest that the contract with the medical assessment provider in NI should contain: annual reviews of performance; penalties for under-performance (including complaints, number / percentage of decisions based on the medical report that are subsequently overturned at appeal). This approach will ensure that the assessment provider sees the link between process and outcome and is not able to abdicate responsibility for high levels of successful appeals against its decisions (AdviceNI, 2012).

### **Introduction of Universal Credit**

While there is potential for Universal Credit to lift children out of poverty if the economy improves and jobs become available, there is much in the detail of UC that will impact badly on child poverty in Northern Ireland. Chief amongst this is the benefit cap which essentially means that benefits will only be provided for the first four children in a family. Given that, according to the DSD's own figures, 1100 families in the region who were dependent on benefits in 2011 had five or more children, we can predict with confidence that at least 6,500 children in Northern Ireland will see their families lose income because of the benefit cap. The Assembly will have to consider how it is going to help such families to meet the needs of their children outside of UC.

Universal Credit applies to both working and out-of-work families. Since it is aimed at helping people into work, some of the draft regulations published in England in relation to working people's access to UC give great cause for alarm. In particular, the introduction of savings rules in line with the rules for income support goes against all advice given to hard-working families to save for a rainy day. It would place substantial pressures on households with savings that are currently entitled to Tax Credits; those who have over £16,000 in savings would lose their entire Universal Credit entitlement – potentially several hundred pounds a month. The Assembly needs to work with the devolved administrations in Scotland and Wales to have this proposed regulation scrapped.

There are real dangers for increasing child poverty in the proposal the UC should be a single monthly payment to one member of the household. There is considerable evidence that money spent through the purse goes to children while money spent through the wallet is less likely to be. While it seems that Westminster will facilitate fortnightly payments, the Assembly could quite easily deal with the issue of purse versus wallet where children are concerned by designating the person with the main caring responsibilities as the main applicant for universal credit.

The introduction of Universal Credit brings with it far tighter conditionality for benefit claimants and a new range of sanctions that may be applied – for example, failure to take up a job offer can result in withdrawal of benefit for three months, six months or three years. People with mental ill-health which, by its very nature, fluctuates are at particular risk of being sanctioned as a result of their illness if a letter for a work-focused interview arrives when they have just become sick again.

For parent of children who have particular needs, including the parents of teenagers who are at risk of becoming involved in the criminal justice system, it may seem impossible for them to take up a job offer **and** provide their child with the care and supervision s/he needs. While lone parents with a dependent child under 16 are allowed to work only 16 hours a week and those with a child under 13 can limit their search to work within school hours, many of those with teenage children feel they need to be able to supervise those teenagers outside of school hours.

The Assembly can ensure that UC regulations around conditionality and sanctions take into account Northern Ireland's high levels of mental ill-health and its lack of accessible and affordable childcare and that Provisions about 'best interests of the child' in the current JSA regulations are replicated for UC regulations. It can also ensure that parents bringing up teenage children in areas of multiple disadvantage can be allowed to give their children the care and supervision that parents living in better-off areas may not have to, or that better-off parents can buy through out-of-school activities.

## **Conclusion**

The Assembly faces perhaps its greatest challenge to date – to demonstrate that devolution really does make a difference to the policies that affect almost every person in Northern Ireland. If it is to show the relevance of local policy makers to local lives and living conditions, then it must do everything in its power to ensure that it protects the most

vulnerable and does nothing that will push more of our children into poverty or, worse, into severe poverty. That means that it must take every opportunity to tailor the Welfare Reform Bill and the regulations that will accompany the legislation to the particular circumstances of Northern Ireland.

## References

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