



Crisis Briefing: Second Reading of the Welfare Reform and Work Bill

Monday 20th July

The Welfare Reform and Work Bill makes a number of significant changes to the benefit system

One of the stated intentions of the Bill is to increase employment. Crisis shares the Government's intention of supporting people into work. For many of the people we work with, finding a job is the best way of making a sustained exit from homelessness. Last year we helped 646 people find work. This was a third of clients using our employment services, many of whom overcame significant barriers to work

However, **we are concerned that some of the measures contained in the Bill may drive up homelessness** and consequently drive people further away from the labour market.

In particular we have significant concerns about the long-term impact of freezing Local Housing Allowance rates as rents continue to rise in many parts of the country. We also have concerns about the lowering of the benefit cap, which will affect some single person households for the first time.

We note the absence in the Bill of proposals announced in the Budget to remove support for housing costs for 18 to 21 year olds. We expect these to be laid in secondary legislation, but believe this debate presents an important opportunity for this issue to be raised, given that this may put some young people at severe risk of homelessness, hampering their move into employment.

We urge you to speak in the debate and raise the following points:

Local Housing Allowance freeze

The Bill will freeze certain working age benefits for four years from April 2016. This will include Local Housing Allowance (LHA), housing benefit paid to people living in the private rented sector. This means LHA rates will continue at their current level until 2019/20.

- In the last parliament the link was broken between actual rents and the support available for housing costs, with rate increases capped at one per cent. As a result, **homes in the private rented sector are already becoming increasingly unaffordable** to people in receipt of housing benefit.
- **The shortfall between LHA rates and actual rents is growing even in many areas that have received additional funding to make up the shortfall** – Targeted Affordability Funding (TAF) – allowing them to be uprated by 4 per cent. Remaining at their current level for the next four years will allow this shortfall to grow even wider.
- Analysis by Crisis shows that across Great Britain, **one in ten current LHA rates** (98 rates) **are already 5 per cent or more lower than the estimated 30th percentile of local rents**. This includes 77 rates (8 per cent of rates overall) that have already benefited from an additional increase due to TAF.¹
- The Shared Accommodation Rate – intended to cover the cost of a room in a shared property– has been particularly affected by the decision to limit rate increases. **A fifth (21**

¹ Analysis of Valuation Office Agency, Scottish Government and Rent Officers Wales data

per cent) of Shared Accommodation Rates fall 5 per cent or more below the 30th percentile, even though almost all of these have received TAF.²

- While the stated intention of the LHA reforms in the last parliament was to exert downward pressure on rents, Government research shows that **tenants are shouldering most of the burden**, with 94 per cent of the shortfall between LHA rates and local rents falling on new tenants and just 6 per cent being absorbed by landlords in rent reductions.³
- Private rents rose by 1.7 per cent across Great Britain last year alone. Oxford Economics has projected private rents to rise by 39% between 2015 and 2020 in England.⁴ **A real terms cut to Local Housing Allowance will erode its value over time, making private renting increasingly unaffordable to people who need support with their housing costs.**
- The ending of an Assured Shorthold Tenancy is now the leading cause of homelessness. It accounted for 29% of all homelessness applications in England and 38% of applications in London⁵.
- **It is vital the Government maintains Targeted Affordability Funding** at a sufficient level to support those with the greatest shortfall between their rent and the amount of support they can receive for their housing costs.

Lowering the benefit cap

The Bill will lower the benefit cap to £20,000 for families and £13,400 for single people (£23,000 and £15,410 respectively in London). The Bill also removes the requirement for the level of the cap to be set by reference to estimated average earnings.

- At its current level, the benefit cap has mostly affected large families in areas with high rents. These lower thresholds mean that **some single person households are likely to be hit by the cap for the first time. Crisis is concerned that, by affecting a far greater number of households, the cap will have a more significant impact on homelessness.**
- Analysis by Crisis, examining the cap in relation to LHA rates, shows that the new cap will affect single jobseekers in most parts of inner London. Single people in the Work-Related Activity Group for Employment and Support Allowance are likely to be affected in areas of inner and outer London, as well as in high rent areas such as Guildford and Oxford. This is because they will still be eligible for the work-related activity component (see below) but will be subject to the cap.
- The Government has acknowledged that **these lower thresholds are lower than average earnings**, arguing the policy will encourage more claimants into work. Crisis is concerned that to date **the benefit cap has not performed well enough in encouraging people into work to justify this.** According to the Government's evaluation, **just one in ten people affected by the cap in February 2014 had found enough work to become unaffected by**

² As above

³ Department for Work and Pensions (2014), *The impact of recent reforms to Local Housing Allowances*

⁴ National Housing Federation (2013), *Home Truths*

⁵ DCLG Live tables (2015)

the cap by the summer. The vast majority (78 per cent) were still capped, including a significant majority with barriers to employment, including poor health and/ or skills gaps.⁶

- **Households have instead responded to the cap by cutting back on household essentials, including by skipping meals, while a significant proportion (45 per cent in summer 2014) are in rent arrears.**⁷ Many cannot move house to reduce their housing costs because they are already living in the cheapest available accommodation in their area.⁸

Removing the work-related activity component in Employment and Support Allowance (and the equivalent in Universal Credit)

The Bill will reduce the level of entitlement for sick and disabled people who are not currently fit for work, but likely to be fit for work in the future, to the same rate as Jobseeker's Allowance. It will apply to new claimants only. The reform is intended to remove an assumed financial incentive to claim sickness benefits over Jobseeker's Allowance, and to increase employment levels amongst people with disabilities and health conditions.

- **People claim Employment and Support Allowance (ESA) because their poor health or disability presents a genuine barrier to work.** In order to qualify, people must undergo a rigorous assessment of their sickness or disability to determine their capability for work.
- Reducing the level of entitlement to the same rate as Jobseeker's Allowance equates to a reduction of almost £30 per week. **Given that people who claim ESA are struggling with difficult life circumstances, it seems hard to justify why they should not receive the same level of financial support in the future.**
- For those who are not currently fit for work, but are likely to be able to work in the future, the Work-Related Activity Group (WRAG) of ESA is the most appropriate benefit for them. Aside from currently being paid at a higher rate, it is also intended to apply a more proportionate level of conditionality that recognises people's barriers to job-seeking.
- The principle behind this reform appears to be that people with health-related barriers to work should be disincentivised from claiming the most appropriate benefit for them, and encouraged onto benefits intended for those who are fit for work. **Crisis is concerned this may lead to conditionality requirements being placed on them that they cannot realistically meet.** We have already seen a more than three-fold increase in ESA sanctions between March 2013 and March 2014.⁹
- Crisis welcomed the announcement in the Budget that additional support will be given to those in the WRAG to help them take steps back to work. This is not included in the Bill but is a more appropriate way of motivating people to overcome barriers to employment and to prevent people from drifting too far from the labour market during a short-term illness. Crucially, this support should fully take into account other life circumstances such as homelessness that are related to, or exacerbate, people's disabilities and health problems.

Support for housing costs for 18 to 21 year olds

⁶ Department for Work and Pensions (2014), *Post-implementation effects of the Benefit Cap (wave 2 survey)*

⁷ As above

⁸ Department for Work and Pensions (2014), *In-depth interviews with people affected by the Benefit Cap*

⁹ Crisis (2015), *Benefit sanctions and homelessness: a scoping report*

This is not contained in the Bill but was announced in the Budget. From April 2017, 18 to 21 year olds making a new claim for Universal Credit will not be entitled to support for their housing costs. Given that the Bill creates no new powers for this, we expect these measures to appear in regulations using powers already contained in the Welfare Reform Act 2012. This may be one of the few opportunities to debate these proposals.

- **Crisis has serious concerns that removing young people's access to support with their housing costs will lead to an increase in youth homelessness.** Youth homelessness is already on the rise: 8% of 16-24 year olds report recently being homeless¹⁰ and in four years the number of young people sleeping rough in London has more than doubled.¹¹
- The Government has made clear however that young people will be protected if they are vulnerable, if they can't live with their parents or if they have been working for the previous six months. **Crisis welcomes this commitment and believes it is vitally important to better understand who exactly will be protected.**
- For many young people housing benefit is all that stands between them and homelessness. This includes care leavers and those who have experienced violence or abuse from family members. **Some may be unable to live with their parents because of relationship breakdown** but find this difficult to prove, for example if they have been thrown out because they are gay or if a parent has remarried.
- **Young people who have already found themselves homeless may have been supported into accommodation funded by housing benefit,** either by their local authority or by a homelessness organisation. Between 2010 and 2014 Crisis helped create 8,128 tenancies in the private rented sector for people who were homeless or at risk of homelessness, with support from the Department for Communities and Local Government. **It is vital that young people can maintain these forms of accommodation– and that those at risk of homelessness can continue to access them.**
- In order to make sure that all young people at risk of homelessness are protected, **it is essential that the list of exemptions takes into account all the reasons young people may need support with their housing costs.** To get the detail of this right, the Government should commit to carry out a full public consultation and to engage with a wide range of stakeholders, including homelessness organisations and young people.

Conclusion

Crisis is supportive of the principle of encouraging people into work. We have serious concerns however that the reforms outlined above will instead put people at risk of losing their home and target the most vulnerable, making it much harder to take steps to find work.

What you can do:

- Speak in the debate on Tuesday 21st July
- Contact DWP ministers and raise the issues we are concerned about
- Get in touch with us if you would like any further information, or to arrange a visit to one of our skylight centres providing employment support.

¹⁰ Crisis (2013), *The Homelessness Monitor*

¹¹ CHAIN data

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