

From Witney to Wigan - how national changes to welfare benefit rules have a differential impact on local communities

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The emergency budget announcements

The emergency budget announcements made on 22nd June 2010¹ contained a list of cuts to be made to entitlements to welfare benefits and tax credits totalling £10 billion a year by 2014/15. These are typically portrayed as ‘targeting help on those most in need’. However a geographical analysis of their differential impact on communities suggests that significant disinvestment in Britain’s most impecunious communities is underway. This article looks at the most significant cuts for claimants, apart from the changes to Housing Benefit, where more complex issues arise as recent media coverage has shown.

Disability Living Allowance

The government will introduce new rules and a new way of assessing claims for Disability Living Allowance (DLA) from 2013/2014. DLA can be paid to people both in work and out of work. It consists of two components. The care component is paid at one of 3 levels depending on the level of care or supervision required by the claimant. The mobility component is paid at one of 2 levels depending on the level of impairment to a claimant’s walking ability. The government aims to reduce the caseload and expenditure in respect of working age claimants by 20%. It will do this by introducing new legislation which radically alters the assessment process. This will contribute £1,075 million to the deficit reduction strategy in 2014/15.

However DLA claimants are not evenly distributed around the country. There are 1140 working age DLA claimants in the prosperous and healthy Sheffield Hallam parliamentary constituency. There are 6820 working age DLA claimants in the less prosperous and less healthy

¹ http://www.hm-treasury.gov.uk/2010_june_budget.htm

Glasgow East constituency.² The biggest concentration of working age DLA claimants in the country is in Glasgow East where they represent 12.71% of the working age population. The lowest concentration is in leafy Wimbledon, where they represent 1.89% of the working age population. So working age Wimbledon constituents will be contributing £717,000 to the deficit reduction strategy, whereas Glasgow East will contribute £3,792,000 as a result of this measure. That's £10.53 per head of working age population as against £70.65.

| Constituency | DLA claimant numbers aged 18-64 November 2009 | No. of DLA claimants as ppn of working age population | Contribution to deficit reduction (million) | Contribution per head of working age population |
|------------------------|--|--|--|--|
| Glasgow East | 6,820 | 12.71% | £3.792 | £70.65 |
| Kensington and Chelsea | 1,980 | 2.04% | £1.101 | £11.35 |
| Sheffield Hallam | 1,140 | 2.27% | £0.634 | £12.64 |
| Tatton | 1,800 | 3.69% | £1.001 | £20.49 |
| Wigan | 3,320 | 6.57% | £1.846 | £36.53 |
| Wimbledon | 1,290 | 1.89% | £0.717 | £10.53 |
| Witney | 1,720 | 2.68% | £0.956 | £14.91 |

Tax Credits

A whole host of changes to the tax credits regime were announced in the emergency budget, which are summarised in the table that follows.

² http://83.244.183.180/100pc/dla/ccla/cnage/a_carate_r_ccla_c_cnage_nov09.html

| Tax Credit announcements in the emergency budget 22/06/10 | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <i>Contribution to the government's deficit reduction strategy (£million)</i> | <i>2010-11</i> | <i>2011-12</i> | <i>2012-13</i> | <i>2013-14</i> | <i>2014-15</i> |
| Reduce the tax credits second income threshold to £40,000 in 2011-12 | 0 | 140 | 145 | 155 | 145 |
| Increase first and second withdrawal rate to 41 per cent in 2011-12 | 0 | 640 | 710 | 730 | 765 |
| Taper the family element of the Child Tax Credit immediately after the child element | 0 | 0 | 510 | 515 | 480 |
| Remove the baby element in the Child Tax Credit | 0 | 295 | 275 | 270 | 275 |
| Remove the 50 plus element in the Working Tax Credit | 0 | 0 | 35 | 40 | 40 |
| Reverse the £4 supplement in the Child Tax Credit for children aged one and two from 2012-13 | 0 | 0 | 180 | 180 | 180 |
| Reduce the income disregard from £25,000 to £10,000 for 2 years from 2011-12 then to £5,000 in 2013-14 | 0 | 105 | 140 | 340 | 420 |
| Reduce backdating for new claims and changes of circumstances from 3 months to 1 month in 2012-13 | 0 | 0 | 315 | 320 | 330 |
| Introduce an income disregard of £2,500 for falls in income from 2012-13 | 0 | 0 | 550 | 560 | 585 |
| Increase the child element of the Child Tax Credit by £150 in 2011-12 and £60 in 2012-13 above indexation | 0 | -1,200 | -1,845 | -1,930 | -1,995 |
| Total | 0 | -20 | 1,015 | 1,180 | 1,225 |

Readers will note that overall payments to claimants will reduce by £1.2 billion a year by 2014/15, with most impact being felt by those in work on modest incomes. However Tax Credit claimants are not distributed evenly around the country. 97% of children in the Sheffield Brightside constituency live in families in receipt of Tax Credits. 32.5% of children in Kensington and Chelsea live in families in receipt of Tax Credits. This is not a reflection of lack of take-up as HMRC research suggests that take-up of Child Tax Credit is in excess of 80%³. Rather the numbers of claimants in any particular area are a strong indicator of the concentration of low to modest incomes in that place. Reductions in Tax Credit payments will be most keenly felt in many of Britain's most impecunious communities.

| Constituency | Children benefitting from Tax Credit payments | % of children benefitting from TC payments as ppn of all children | Contribution to deficit reduction (million) | Contribution per head of working age population |
|------------------------|--|--|--|--|
| Birmingham, Hodge Hill | 25,180 | 94.79% | £2.518 | £55.48 |
| East Ham | 33,410 | 89.54% | £3.466 | £45.80 |
| Glasgow East | 16,800 | 90.32% | £2.286 | £42.60 |
| Kensington and Chelsea | 4,400 | 32.51% | £0.574 | £5.91 |
| Sheffield Hallam | 7,080 | 50.73% | £0.877 | £17.48 |
| Tatton | 8,740 | 51.95% | £1.104 | £22.62 |
| Wigan | 14,470 | 80.95% | £1.869 | £37.00 |
| Wimbledon | 6,450 | 37.21% | £0.802 | £11.77 |
| Witney | 14,740 | 64.09% | £1.786 | £27.83 |

³ <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up.htm>

The Spending Review

The spending review announcements made on 20th October 2010⁴ contained a further list of cuts to be made to the social security budget totalling £7 billion a year by 2014/15. The most high profile announcement was the decision to remove child benefit from families with a higher rate taxpayer from January 2013. This is expected to contribute £2.5 billion to the £7 billion total. The remainder of the cuts will come from changes to Employment and Support Allowance (the replacement for Incapacity Benefit) [£2 billion] and from further changes to tax credit entitlements (largely due to a freeze in Working Tax Credit elements for 3 years) and a 10% reduction in Council Tax Benefit expenditure.

Employment and Support Allowance

By far the most important announcement in this tranche of cuts was the decision to instigate a major curtailment of the contributory principle. Payment of contributory Employment and Support Allowance (ESA) will in over 90% of cases be limited to one year.

| Constituency | No. of ESA claimants (Feb 10) | No. of contribution based only ESA claimants (Feb 10) | 2014/15 Contribution to deficit reduction (million) | Contribution per head of working age population |
|------------------------|--|--|--|--|
| Glasgow East | 1620 | 510 | £6.252 | £116.47 |
| Kensington and Chelsea | 520 | 110 | £1.348 | £13.90 |
| Sheffield Hallam | 250 | 100 | £1.225 | £24.44 |
| Tatton | 440 | 180 | £2.206 | £45.18 |
| Wigan | 820 | 360 | £4.413 | £87.33 |
| Wimbledon | 330 | 110 | £1.348 | £19.80 |
| Witney | 470 | 200 | £2.452 | £38.21 |

⁴ http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

At the end of this period payment will only continue if the claimant is one of the less than 10% deemed to have no prospect of ever working again, or if the claimant is eligible for the means tested version of ESA. Means testing has the effect that any claimant with a partner in full time work will lose all independent income.

ESA was introduced in October 2008, and it is already clear that there are large geographical variations in claimant numbers. Sheffield Hallam has 250 claimants, Glasgow East has 1,620. Looking at the number receiving contribution based ESA only we find that 100 are receiving it in Sheffield, whilst 510 are in receipt in Glasgow East. Once again the least prosperous communities in Britain will suffer most from this cut. All current Incapacity Benefit claimants will be transferred to ESA over the next 3 years.

Conclusion

| Constituency | Contribution to deficit reduction in 2014/15 (million) | | | |
|------------------------|---|---------------------------|--------------------|--------------|
| | DLA changes | Tax Credit changes | ESA changes | TOTAL |
| Glasgow East | £3.792 | £2.286 | £6.252 | £12.330 |
| Kensington and Chelsea | £1.101 | £0.574 | £1.348 | £3.023 |

Protestations from the Coalition government that their deficit reduction strategy is fair or equitable are likely to ring hollow in Glasgow East. It looks likely that the economy of that area will be hit by an unprecedented level of disinvestment, with no obvious accompanying strategy for jobs and growth. Without such a strategy fuel poverty will grow and health will suffer as incomes decline in Glasgow East and its statistical neighbours over the term of this parliament.

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