

Analysing the impact of the UK Government's welfare reforms in Wales – Stage 3 analysis

Part 1: Impacts on those with protected characteristics



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Analysing the impact of the UK Government's welfare reforms in Wales – Stage 3 analysis

Part 1: Impacts on those with protected characteristics

Audience	<p>This report has been produced primarily for the Welsh Government's Ministerial Task and Finish Group on Welfare Reform (the group includes the Minister for Communities and Tackling Poverty; the Minister for Local Government and Government Business; the Minister for Housing and Regeneration; the Deputy Minister for Tackling Poverty; and the Deputy Minister for Social Services) and relevant policy and analytical officials.</p> <p>(Since the Cabinet reshuffle and a revision of Ministerial responsibilities in March 2013, the Minister for Education and Skills no longer chairs, or forms part of, the Ministerial Task and Finish Group on Welfare Reform. The new chair of the Group is the Minister for Communities and Tackling Poverty as Welfare Reform now falls within this Ministerial brief.)</p>
Overview	<p>This report includes analysis that has been undertaken internally by Knowledge and Analytical Services (Welsh Government) as part of Stage 3 of the Welsh Government's programme of research to assess the impact of the UK Government's welfare reforms in Wales.</p>
Action required	<p>None – for information only.</p>
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Additional copies	<p>This document can be accessed from the Welsh Government's website at www.wales.gov.uk/socialjustice</p>

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List of acronyms

AA	Attendance Allowance
APS	Annual Population Survey
BME	Black and minority ethnic
CA	Carer's Allowance
CB	Child Benefit
CCG	Community Care Grant
CL	Crisis Loan
CPI	Consumer Price Index
CTB	Council Tax Benefit
CTC	Child Tax Credit
CTRS	Council Tax Reduction Scheme
CTS	Council Tax Support
DAF	Discretionary Assistance Fund
DDA	Disability Discrimination Act
DHP	discretionary housing payments
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
FRS	Family Resources Survey
GB	Great Britain
HB	Housing Benefit
HMRC	Her Majesty's Revenue and Customs
IB	Incapacity Benefit
IFS	Institute for Fiscal Studies
ILF	Independent Living Fund
IS	Income Support
JSA	Jobseeker's Allowance
LCW	limited capability for work
LCWRA	limited capability for work and work-related activity
LHA	Local Housing Allowance
LPO	Lone Parent Obligations
NI	National Insurance
ONS	Office for National Statistics

PIP	Personal Independence Payment
PRS	Private Rented Sector
RPI	Retail Price Index
SAR	shared accommodation rate
SDA	Severe Disablement Allowance
SDP	Severe Disability Premium
SF	Social Fund
SPA	state pension age
SRS	Social Rented Sector
UC	Universal Credit
WCA	Work Capability Assessment
WRAG	Work-Related Activity Group
WTC	Working Tax Credit

Summary of the key findings

- The Welsh Government's Ministerial Task and Finish Group on Welfare Reform has commissioned a three-stage programme of research to analyse the impact of the UK Government's welfare reforms in Wales.
- This report forms part of the Stage 3 research and aims to provide an evidence base (where possible) on the potential impacts of the UK Government's welfare reforms on those with protected characteristics in Wales. It looks at the numbers affected, impacts on income, poverty and work incentives¹, and wider effects such as online access. The key findings from this research are outlined below and summarised in the table on pages 8–16.
- The benefit rules do not distinguish between different genders and ethnic groups. However, it may be the case that some groups lose more than others from the UK Government's benefit changes because other characteristics such as income, skill levels, qualifications, time use (e.g. hours worked) and family structure may differ between these groups.
- With regards to disability and age, benefit rules differ on the basis of need. For example, it is likely that a disabled claimant will receive different amounts of benefit as a result of their disability status compared to an otherwise identical non-disabled claimant. Similarly, there are age-related rules in the benefit system. Therefore, whether the claimant is disabled/non-disabled or younger/older will have an impact on the extent to which they are affected by the welfare reforms. Other influential characteristics (as mentioned above) also differ between these groups.

Gender

- Overall, this analysis suggests that women are more likely to be affected by the welfare reforms and tend to lose the most/gain the least compared to men.
- Some of the main reforms that will adversely affect more women than men are the:
 - 1 per cent cap on most working-age benefits, tax credits and Child Benefit (CB)
 - size criteria in the Social Rented Sector (SRS)
 - household benefit cap

¹ The incentive to be in paid work at all (as opposed to not working) can be measured using the participation tax rate, which is the proportion of total gross earnings lost in the form of tax and withdrawn benefits. The incentive for those in work to increase their earnings (whether by working more hours, seeking promotion or moving to a better-paid job) can be measured by the marginal effective tax rate, which is the proportion of a small increase in earnings lost in tax and withdrawn benefits. In both cases, higher numbers mean weaker work incentives. Non-financial work incentives include, for example, the simplification that is aimed for under the Universal Credit system and the extension of work search requirements to more people.

- knock-on effects of the Disability Living Allowance (DLA) reforms on Carer’s Allowance (CA) claimants
 - the extension of Lone Parent Obligations (LPO).
- However, there are some reforms, such as those relating to Incapacity Benefit (IB) and Employment and Support Allowance (ESA), where more men than women are negatively impacted.
 - In terms of the average impacts on income, compared to men, women are expected to lose the most/gain the least from a number of reforms including Universal Credit (UC), for example.
 - Overall, non-working lone parents (of which around 90 per cent are female) are one of the groups that will incur the largest income losses.
 - The incentive for lone parents to work more hours is significantly strengthened. However, the reforms will mean that couples will have more to lose from a second earner being in work. Given that second earners are primarily women, they will encounter greater adverse employment impacts than men.
 - Generally, one UC payment is made per household. Payment will be made to one member of a household, usually the head of the benefit unit. For couples, this is likely to be the male, which could potentially disadvantage the female.

Disabled people²

- Major changes have already been made to disability and sickness benefits with more to come this year.
- Although the Department for Work and Pensions (DWP) has put in place some protection for disabled groups via exemptions and increased discretionary housing payments (DHP), there will be significant impacts on disabled people in Wales. These are likely to be even more so than in the UK as a whole given the relatively high dependence on disability and sickness benefits in Wales.
- There will be particular impacts on disabled people as a result of changes to benefit and tax credit indexation, DLA, IB/ESA, UC and Housing Benefit (HB). There will also be adverse effects on the carers of disabled people. For example, they may lose their entitlement to CA as a result of the move

² It is important to note that the findings on the impact of the welfare reforms on the incentive to be in work or increase earnings exclude some important reforms to disability benefits (particularly migrating the remaining stock of IB claimants to ESA and the associated reassessment of health conditions, which removes benefit entitlement for many people). The findings relate only to the reforms modelled by Adam and Phillips (2013). Also, some of the findings are based on small sample sizes (e.g. 53 disability benefits claimants in some instances) and therefore caution is needed when drawing conclusions from such a small sample.

from DLA to the Personal Independence Payment (PIP), and following the introduction of UC a carer will only be entitled to either a carer or a disability element, not both. This will mean that some carers with health problems will be worse off.

- The structure of UC will involve a number of other changes for disabled people. More specifically, some disabled children, disabled people without an adult to assist them, and disabled people in work could lose some of the disability additions they receive under the current benefit system. However, DWP state that they intend to redistribute the savings from such cuts to the most severely disabled adults, and some claimants will also be entitled to transitional protection.
- Under UC, the average monthly increase in entitlement for households with a disabled person will be smaller than that for all households in receipt of UC.
- The incentive to be in work will be strengthened for those who are receiving a disability benefit themselves or have a partner receiving a disability benefit. This is driven by the time-limiting of contributory ESA (which in some cases will result in a large reduction in out-of-work income) and the introduction of UC respectively.
- For those who are already in work and in receipt of a disability benefit, their incentive to increase earnings is expected to improve substantially mostly caused by UC. However, those in work with a partner receiving a disability benefit will see a weakened incentive to increase their earnings driven by both UC and the welfare cuts.
- Disabled people are relatively less likely to live in households with internet access and so may have difficulty making online claims for UC. Some impairments may also make it harder for disabled people to use the online claiming process.

Age

- Overall, pensioners are largely unaffected by the welfare reforms as most of these apply to working-age benefits.
- More younger than older working-age people will be adversely affected by some of the reforms such as the abolition of concessionary ESA 'youth' National Insurance (NI) qualification conditions and increasing the age threshold for the shared accommodation rate (SAR). While other reforms, such as those to DLA, time-limiting ESA to one year and tapering CB away from families containing someone earning more than £50,000 will affect more older than younger working-age people.
- On average, older working-age people will see an income loss under UC while younger people will see an income gain.

- Those aged between 55 and the state pension age (SPA) see a greater strengthening of the incentive to be in paid work than younger people.
- Those aged 55 or over who are in work also see an improvement in the incentive to increase their earnings, although this improvement is greater for those aged 25–54. However, those under 25 and in work see a particularly weakened incentive to increase their earnings.
- Older people are relatively less likely to use the internet and so may have difficulty making claims online.

Race and ethnicity³

- Some of the welfare reforms, such as the household benefit cap, are likely to have a disproportionate impact on some Black and ethnic minority (BME) claimants because of the characteristics of some of these households (e.g. larger family size among certain ethnic minority groups, hours worked, etc). Other reforms including those related to DLA, IB/ESA and the introduction of the size criteria for HB claimants in the SRS are more likely to adversely affect white recipients.
- On average, UC is expected to result in a significantly higher income gain for households with an adult of ethnic minority background compared to all households.
- The welfare reforms will strengthen the incentive for white people to be in work, and to the same extent as that for the population as a whole on average. However, the incentive for non-white people to be in work is expected to weaken. Most importantly, this is because non-white people are more likely to have a greater number of dependent children than white people, which means they are more likely to see their out-of-work income rise as a result of increases in Child Tax Credits (CTC). This has the effect of weakening the incentive to be in work.
- For those in work, both white and non-white groups are expected to see an improvement in the incentive to increase their earnings. However, the improvement for non-white groups will likely be smaller. Again, this is likely to be due to other characteristics such as earnings levels.
- Language issues may cause problems for some ethnic minority people (e.g. recent migrants and some refugees) accessing the UC system online.

³ Various terminologies are used throughout the report to describe particular ethnic groups (e.g. white, non-white, BME, etc.). The terminology used aligns with that of the data source that it was extracted from. It is also important to note that the sample sizes for non-white people that were used for the research on the impact of the welfare reforms on work incentives (Adam and Phillips, 2013) are small (e.g. 110 non-white people in some cases) thereby affecting its robustness and making it difficult to do too much disaggregation to try to explain the differences in results.

Other protected characteristics

- In addition to the equality groups above, current equality legislation also covers transgender, religion, sexual orientation, pregnancy/maternity, marriage and civil partnerships. As DWP does not hold this information on its administration system (with the exception of information on pregnancy and maternity, which is held in the event that it is the primary reason for incapacity), it is not possible to accurately assess the impact of the welfare reforms on these equality groups. However, DWP do note in a number of their impact assessments that given their knowledge of the policy designs and customer groups, they do not envisage any adverse effects on any of these grounds.

A table summarising the key findings from this research report can be found on pages 8–16.

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
UC	<p>Single males to benefit more than single females.</p> <p>Improved incentive for lone parents (most of whom are female) to be in paid work, and those in work will see a significantly strengthened incentive to work more hours.</p> <p>Work incentives for couples with second earners adversely affected. Second earners in couples are primarily female.</p> <p>Around 70 per cent of the partners who will be affected by the extended work-focused requirements under UC will be female.</p>	<p>Households with a disabled person are likely to receive a smaller increase in entitlement payments.</p> <p>Particular impacts on income for some disabled children, disabled people without an adult to assist them, disabled people in work, and disabled carers.</p> <p>Incentive to be in work will slightly decrease for those in receipt of a disability benefit themselves while those who have a partner receiving a disability benefit will see a significant improvement.</p> <p>Incentives for those who are already in work, and in receipt of a disability benefit, to work more hours improves substantially. Incentives deteriorate for those in work with a partner receiving a disability benefit.</p>	<p>Households where the head is over 50 see a decrease in their entitlement on average. Conversely, households where the head is under 25 see an increase in their entitlement on average.</p> <p>Those aged between 55 and the SPA see a greater strengthening of the incentive to be in paid work than younger people.</p> <p>The improvement in the incentive for 25 to 54-year-olds who are in work to work more hours (earn more) is greater than for older people.</p> <p>Incentives to work more hours deteriorate for under 25s.</p>	<p>In terms of impacts on income, ethnic minority groups tend to benefit more than the general population.</p> <p>Incentive for white groups to be in work likely to be greater than for non-white groups on average.</p> <p>Non-white in-work claimants to see a greater average improvement in the incentive to increase earnings compared to white in-work claimants.</p> <p>Around 15 per cent of the partners who will be affected by the revised conditionality requirements under UC are from an ethnic minority background.</p>

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
UC (continued)	One UC payment will be made to couples; likely to be made to the male member of the couple to the potential disadvantage of the female member.	<p>Just over one-quarter of the partners who will be affected by the revised work-search requirements under UC have a disability.</p> <p>Disabled people are relatively less likely to live in households with internet access and so may have difficulty making online claims for UC.</p>	<p>New claims for couples with one partner below and one partner above retirement age will be more adversely affected than couples with both partners below retirement age.</p> <p>Older people are relatively less likely to live in households with internet access and may have difficulty making online UC claims.</p>	Language issues may cause problems for some ethnic minorities accessing the UC system online.
Switch to up-rating most benefits by CPI (instead of RPI or Rossi)	Males slightly more at risk of being affected. Income losses by gender are unclear at this stage.	<p>Disabled people are disproportionately represented among benefit/tax credit recipients and are therefore more at risk of being affected.</p> <p>Disabled claimants may incur higher average losses than non-disabled claimants.</p>	DWP and population data for Wales suggests that those aged 16–44 are slightly under-represented in the benefit claimant caseload. On the other hand, those aged 45–59 are over-represented and so are more likely to be affected by this measure. Income losses by age are unclear at this stage.	No disproportionate impacts identified on the numbers affected by ethnicity. Some ethnic groups have a much lower probability of claiming benefits and tax credits, reducing the likelihood of being affected by this change. Income losses by ethnic group are unclear at this stage.

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
One per cent cap on most working-age benefits, tax credits (excludes disability and carers benefits) and CB	Females more at risk of being adversely affected than males.	Because of exemptions, a substantial number of households in receipt of disability benefits will not be affected. Nevertheless, due to receipt of other non-exempt benefits, more households that include a disabled person will be affected than households without disabled members.	Pensioners are the least likely group to be affected as applies mainly to working-age benefits.	No analysis provided by DWP.
Household benefit cap	A significantly greater proportion of single females are affected compared to single males.	Despite some exemptions for disabled claimants (DLA claimants and the most severely disabled recipients of ESA), 50 per cent of affected households will contain somebody classified as disabled.	Applies to working-age benefits only. Eighty per cent of affected households are aged 25 to 44 with the majority of the remaining 20 per cent likely to be 45 or over (as those under 25 tend to receive less benefit and are less likely to have children).	Forty per cent of households affected by the cap are estimated to contain a person who is of ethnic minority background (GB level) – a significantly higher proportion than in the working-age population as a whole.
Replacement of IB with ESA	More likely to affect males than females.	Disproportionate impact on disabled people particularly those with mental and behavioural disorders.	More likely to affect those aged 35–64.	There is a risk that white recipients are more likely to be adversely affected than people in other ethnic groups (except those of mixed ethnicity).

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
Time-limiting contributory ESA to one year except for the most severely disabled	Males are more likely to be adversely affected than females. However, the average loss in household net income is higher for females than males.	Disproportionate impact on disabled people, especially those with mental and behavioural disorders and those with diseases of the musculoskeletal system and connective tissue. Exemptions to limit impacts on the most severely disabled and individuals with low or no other income may be partially or wholly compensated by entitlement to income-related ESA and 'passported' benefits.	Those aged 50–64 are more likely to be affected. This age group will also incur higher average losses than younger age groups.	There is a risk that white recipients are more likely to be adversely affected than people in other ethnic groups (except those of mixed ethnicity). Average losses in net income expected to be greater for white claimants than ethnic minority claimants.
Abolition of concessionary ESA 'youth' NI qualification conditions	More likely to adversely affect males than females.	Disproportionate impact on disabled people, particularly those with mental and behavioural conditions and diseases of the nervous system.	Will have a disproportionate impact on young disabled people (aged under 25).	There is a risk that white recipients are more likely to be adversely affected than people in other ethnic groups (except those of mixed ethnicity).

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
DLA, PIP and CA	<p>DLA/PIP: no disproportionate gender impacts.</p> <p>Adverse affect on carers: more likely to affect females than males.</p>	<p>DLA/PIP: vast majority of affected recipients will be disabled (according to the Equality Act 2010). Those with arthritis, psychosis and learning difficulties are at greater risk of being affected by this reform.</p> <p>Adverse affect on carers: more likely to affect disabled people.</p>	<p>DLA/PIP: initial impacts will be on working-age recipients. More likely to affect those aged 50–64.</p> <p>Adverse affect on carers: more 35 to 64-year-olds affected than other age groups.</p>	<p>DLA/PIP: those from a white background are slightly more at risk of being affected.</p> <p>Likely adverse affect on carers, but no robust data available.</p>
Closure of the ILF	<p>Likely no direct gender impact. Indirect adverse impact on carers possible if the need for informal care increases; more likely to affect females than males. The future of the ILF in Wales is being considered. A consultation and an Equality Impact Assessment will be undertaken later in 2013.</p>	<p>This group will be disproportionately affected.</p> <p>Greater numbers of those with severe learning disabilities, cerebral palsy and Down’s syndrome will be affected compared to those with other primary medical conditions.</p>	<p>The smallest groups of ILF users are the youngest (16–25 years old) and oldest (56-plus) age ranges and these are under-represented in the ILF caseload compared to in the population as a whole. More likely to affect ILF users aged 26–55.</p>	<p>Limited data available and not possible to accurately identify impacts on any particular ethnic group.</p>

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
SF/DAF (April–June 2013)	No disproportionate gender impacts identified.	A lower proportion of people are registered disabled compared to in the 16-64 population as a whole.	Those aged 16–24 and 25–39 are more likely to submit a claim than those aged 55–69 and 70-plus.	No disproportionate impacts identified by ethnic origin.
	Only one-third of DAF claimants have given information on each of these protected characteristics. We do not know whether these respondents are representative of the overall claimants.			
CTS (2013–14)	Will protect income for females and males, but more females will benefit given the demographic make-up of claimants.	Given that households containing an adult receiving a disability-related benefit account for 57 per cent of CTB expenditure in Wales, the CTS scheme in 2013–14 will particularly benefit these households.	Will have particular benefits for those aged 65-plus given that they represent the biggest group of recipients and account for 40 per cent of CTS expenditure. Over 43,000 households in Wales will also benefit from the CTS Pensioner Grant.	No disproportionate impacts identified on the numbers affected by ethnicity.
Taper CB away from families with someone earning £50,000 plus	No significant gender impacts have been identified.	No significant impacts on this group have been identified.	This policy is likely to affect more people in the 51–65 age group than other age groups because they are generally more likely to be higher earners with children.	No significant effects on this group have been identified.
Changes to the hours eligibility rules for WTC	No data available.	Households with a disabled member may be affected but there are exemptions to mitigate impacts on couple households with a disabled member.	No data available.	BME groups will be disproportionately affected.

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
Removing IS eligibility for lone parents based on the age of their youngest child	Females are significantly more likely to be adversely affected than males.	Lone parents more likely to be disabled than the working-age population as a whole. DWP exemptions should mitigate adverse effects on those that have a child with a health condition or disability.	<p>More younger lone parents (aged 25–34) will be affected, mitigated partly perhaps by their greater propensity to join the labour market than older groups.</p> <p>Lone parents under the age of 18 with a youngest child aged 5 will retain IS eligibility.</p>	A relatively large proportion of lone parents with a youngest child age five or six is of an ethnic minority background. Employment rates of ethnic minority lone parents are relatively low suggesting this group will find it more difficult to find work following loss of IS. Childcare and language barriers may also undermine chances of finding and sustaining employment.
Size criteria for people renting in the SRS	Single females more likely to be adversely affected than single males and couples.	DWP exemptions will protect some disabled people. However, a greater proportion of the affected households contain a disabled person than those that include non-disabled claimants. An additional £25 million of DHP funding is available in 2013/14 and 2014/15 to help disabled claimants remain in properties that have been significantly adapted.	<p>Applies to working-age claimants.</p> <p>More older working-age claimants affected than younger claimants because often their grown-up children have left home. Older working-age claimants also see a greater income loss on average.</p>	<p>Black and ethnic minority claimants are less likely to be affected by this measure than white claimants.</p> <p>Black and ethnic minority households that are affected will see a greater average weekly loss compared to white claimants.</p>

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
Increase LHA rates in line with CPI rather than actual rents	Single females more likely to be adversely affected than single males and couples, and they are also likely to incur a greater income loss.	No disproportionate impact identified.	Affects the 25 to 44-year-old group the most as they have a higher propensity to claim and receive higher payments and so are likely to incur a higher income loss.	No disproportionate impacts identified on the numbers affected by ethnicity.
Cut LHA (to the SAR) for single adults aged 25–34 without children	Single males more likely to be adversely affected than single females.	Some disabled people will be adversely affected but exemptions will mitigate some of the impacts on this group.	This policy will only affect adults aged 25–34.	No disproportionate impacts identified on the numbers affected by ethnicity.
Cumulative impact	<p>Non-working lone parents (of which around 90 per cent are female) to incur some of the largest income losses.</p> <p>Incentives for lone parents (predominantly women) to enter work largely unchanged. Incentives for lone parents to work more substantially enhanced in absolute and relative terms.</p>	On average, the welfare reforms will strengthen the incentive to be in work for those in receipt of a disability benefit themselves or those who have a partner receiving a disability benefit more so than families not in receipt of disability benefits. Incentives are also improved substantially for those already in work and in receipt of a disability benefit.	<p>Pensioners largely unaffected by the welfare cuts and the introduction of UC.</p> <p>Incentives for those aged between 55 and the SPA to be in paid work strengthened more than for younger people.</p>	On average, the welfare reforms will strengthen the incentive for white people to be in work, and to the same extent as that for the population as a whole. Conversely, the incentive for non-white people to be in work is expected to weaken.

Policy change	Identification of disproportionate impacts by equality group			
	Gender	Disability	Age	Race
Cumulative impact (continued)	Work incentives for couples with second earners adversely affected. Second earners in couples are primarily female.	Incentives for those in work with a partner receiving a disability benefit to increase their earnings, on average, will deteriorate.	Those aged 55 or over who are in work also see an improvement in the incentive to increase their earnings, although this improvement is greater for those aged 25–54. However, incentives for those under 25 and in work to increase their earnings will deteriorate.	For those in work, on average, both white and non-white groups are expected to see an improvement in the incentive to increase their earnings. However, the average improvement for the latter group is estimated to be somewhat less than that seen by the former group.

Introduction

The Welsh Government's Ministerial Task and Finish Group on Welfare Reform has commissioned a programme of research to analyse the impact of the UK Government's welfare reforms in Wales, with the aim of providing evidence to assist with policy decisions. The findings from the Group's earlier research (Stage 1 and Stage 2) have already been used to help target the Welsh Government's efforts to mitigate (where possible) any negative implications of welfare reform, and to continue to prioritise resources to reduce poverty in Wales, thereby contributing to the commitments made in the Programme for Government and the Tackling Poverty Action Plan.

The aim of this report is to provide an evidence base (where possible) on the potential impacts of the UK Government's welfare reforms on those with protected characteristics in Wales, building on the research findings identified as part of Stage 1 and Stage 2. 'Protected characteristics' is a term used in the Equality Act 2010 and refers to people who are protected from unlawful discrimination on the grounds of age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, gender and sexual orientation. Households that include someone with a protected characteristic tend to be affected by the welfare reforms according to other characteristics such as their work status, position in the income distribution, and family structure.

Each welfare benefit change⁴ is scrutinised for its impact on four of the protected characteristics (gender, disability, age and race). Unfortunately, due to a lack of information, it has not been possible to accurately assess the impact of the welfare reforms on the following equality groups: transgender, religion, sexual orientation, pregnancy/maternity, marriage and civil partnerships. The availability of such information will continue to be monitored.

The ideal would be to establish the cumulative impact of the reforms on each group, but data at this point generally does not permit such an assessment. Where possible, impacts on numbers affected, household income, poverty, work incentives and employment, work-related requirements and online access have been assessed.

The changes that have already been implemented and the future changes are numerous and complex and in some instances counter each other in terms of likely impacts on income and employment incentives. While the summaries at the start of each section provide an overview, only close reading of the full report will offer a detailed understanding of the likely impact welfare reforms will have on people in Wales who have protected characteristics.

Key statistical data used as part of this research can be found at Annex 1 and a brief description of the main welfare changes can be found at Annex 2.

⁴ Knock-on effects on passported benefits that are administered by the Welsh Government have not been considered in this report as this is outside of the research scope.

Impact of the welfare reforms on those with protected characteristics in Wales

Gender

Key points

- Although the benefit rules do not distinguish between men and women, it may be the case that women lose more than men from the UK Government's benefit changes (or vice versa) because other characteristics such as income, time use and family structure differ systematically between men and women.
- Overall, this analysis suggests more women than men will be adversely affected by the welfare reforms and they tend to lose the most/gain the least compared to men.
- The reforms expected to affect more women than men are the:
 - household benefit cap
 - 1 per cent cap on most working-age benefits, tax credits and CB
 - knock-on effects of the DLA reforms on CA claimants
 - extension of LPO
 - size criteria in the SRS
 - increasing Local Housing Allowance (LHA) rates in line with the Consumer Price Index (CPI).
- The reforms expected to affect more men than women are those increasing the SAR age threshold to 35, and those relating to IB/ESA.
- In terms of the average impacts on income, compared to men, women are expected to lose the most/gain the least from the following reforms:
 - UC
 - increasing LHA rates in line with CPI
 - time-limiting contributory ESA to one year for those in the Work-Related Activity Group (WRAG).
- Non-working lone parents (of which around 90 per cent are female) are one of the groups that will incur the largest reduction in benefit and tax credit entitlements in Wales as a result of the UK Government's welfare reforms in aggregate.
- Lone parents already in work will have a significantly stronger incentive to increase their hours worked and earnings. However, the reforms will mean that couples will have more to lose from a second earner being in work. Given that second earners are primarily women, there may be adverse employment impacts on this gender.

- There may also be issues regarding the payment of UC for those claiming as a couple as (in most cases) this will be made as a single payment to one household member only. There are concerns that this payment is likely to be made to the male member of the couple.

Switch to indexing almost all benefits and tax credits to the CPI rather than the Retail Price Index

Joyce and Levell (2011) estimate that benefits and tax credits that were formerly indexed to the Retail Price Index (RPI) and the Rossi⁵ were around 1.8 per cent and 3.1 per cent lower respectively in 2012–13 as a result of the switch to CPI indexation. DWP have not published an impact assessment of this indexation change.

The impact of this policy on different groups is determined by the likelihood of being in receipt of one or more of the affected benefits and the total value of payments from such benefits.

DWP data for Wales (Table 3, page 79) shows that slightly more men than women claim DWP benefits: 51 per cent of all working-age benefit claimants in Wales are male. This is marginally greater than the proportion of all males in the working-age population as a whole. This suggests male benefit claimants may be slightly more at risk of being affected by this policy change. There is no published data on tax credit recipients in Wales by gender.

Impacts on income will depend on which, and how many, of the affected benefits that claimants are in receipt of and the value of these benefit payments. For example, those in receipt of multiple benefits and/or relatively high benefit payments, and those previously indexed to the Rossi, will be affected worse than others by this measure. There is little data/analysis available on multiple benefit claiming especially by equality group. However, DWP (2013d) report that almost two-thirds of HB recipients in Great Britain (GB) were also in receipt of Income Support (IS), income-based Jobseeker's Allowance (JSA), income-based ESA or Pension Credit. This is relevant because data suggests that the average weekly amounts of ESA/IB, IS, DLA, and/or HB are relatively high, for example compared to Council Tax Benefit (CTB) (see Table 1, page 76). Most of these benefits (except DLA) were also formerly indexed to the Rossi (which has recently been higher than the RPI and CPI). Therefore, recipients of such benefits are likely to incur higher cash losses as a result of the indexation change. Although the average weekly amounts of ESA/IB and IS are higher for males than females, the opposite is true for DLA and HB. Therefore, it is not possible at this juncture to say with accuracy which gender, if any, will be disproportionately affected.

⁵ The Rossi index is defined as the all-items RPI excluding mortgage interest payments, council tax, housing depreciation and rents.

One per cent cap on most working-age benefits, tax credits (excludes disability and carers benefits) and CB

On an individual basis, women are more likely to be affected than men, with around one-third of women (33 per cent) likely to be affected in GB in 2015/16 compared to 29 per cent of men (DWP, 2013a). This difference arises because lone parents, the majority of whom are female, are most likely to be affected by the policy and incur the highest average cash loss of £5 per week in 2015/16 (or 1 per cent of net income). This family type is particularly affected because they have a lower employment rate (57 per cent) than the working-age population as a whole (70 per cent, Annual Population Survey (APS) Wales, 2011) and are also often entitled to in-work support. The average cash loss for all affected working-age households is £3 per week (or 1 per cent of net income). However, as a proportion of income, single people without children who are affected see a higher loss (2 per cent) than those families with children. This is because such households in receipt of benefit are more likely to be out of work than families with children and so their benefit entitlement accounts for a greater proportion of their total income.

The UK Government estimate that limiting the up-rate to 1 per cent in 2013–14, 2014–15 and 2015–16 will result in around an extra 200,000 children being deemed to be in relative income poverty compared to up-rating benefits by CPI. However, such impacts will crucially depend on what happens to inflation over the next few years. For example, if inflation projections increase, these estimates will also increase.

UC

Impact on household income

In Wales, 500,000 households are expected to be affected by the introduction of UC: 100,000 households will see no change in their entitlement; 200,000 households will have lower entitlements (but may be eligible for transitional protection); and, 200,000 households will have higher entitlements (Welsh Government, 2013a).

DWP (2012e) estimate that, on average, single men and single women will both see a small increase in their monthly entitlement under UC. However, single men are expected to benefit more as the average increase in entitlement for this group is around £8 higher than that for single females. In this case, 'single' includes lone parents, and lone parents gain less on average than single people without children (see page 21). There are many more female than male lone parents, and so this will restrict their average increase in entitlement. Single males are relatively more likely to have no change in entitlement, or an increase in entitlement, than are single females. This is likely to be because they are more likely to be either without a child and out of work, or in work. However, the average increases/decreases in entitlement vary noticeably between genders – which also affects the average impact.

Comparing households with men and households with women, on average both are expected to see a similar increase in entitlement of around £17 and £14 per month respectively.

DWP analysis (2012e) shows that more lone parents will receive a lower payment under UC (compared to the current system) than those that will receive a higher payment⁶. However, for lone parents, the average reduction for those with a lower entitlement (£87 per month) is smaller than the average increase for those with higher entitlements (£128 per month). This means that overall this group gains from UC on average (by £5 per month or 4 per cent of net income). Even so, this is less than the average gain seen by those who are single with no children (over £6 per month or 9 per cent of net income) and couples with children (£14 per month or 6.5 per cent of net income).

Impact on poverty

Projections by Browne et al (2013) show the expected poverty-reducing effect of UC. By 2016, it is projected that relative child and working-age non-parent poverty in the UK will be 2.2 percentage points and 0.7 percentage points lower respectively than it would have been without UC. The authors point out that although UC is expected to have a negligible effect on benefit entitlements, it is projected to reduce income poverty rates because take-up of means-tested support is expected to rise as a result of its integrated nature. However, it is important to note that the effect of UC on poverty is outweighed by the effects of other tax and benefit reforms (particularly the switch to CPI indexation of benefits and tax credits) over the same period. As a result, the overall impact of the reforms introduced since April 2010 is to increase the level of income poverty in every year from 2010–2020, and to increase the rate at which poverty increases over time.

In their latest Impact Assessment, DWP did not update the impact of UC on poverty. Although some poverty figures have since been published in response to a parliamentary question, they are not broken down by gender. DWP (2011a) previously estimated that the number of single males and females moving out of poverty would be approximately equal reflecting the fact that the average increase in entitlements for both groups were then expected to be broadly the same. However, DWP (2012e) have since revised their estimates of the impact of UC on average entitlements, which now suggest that single males will benefit more on average compared to single females (as outlined above). The resulting impacts on poverty are likely to be consistent with this pattern, with a greater reduction in poverty experienced by single males.

Impact on work incentives

DWP (2012e) expect that the new UC system will be particularly helpful for lone parents (the majority of whom are women) as more support will be provided to help them take up employment. For example, those working under 16 hours per

⁶ Lone parent – renting: higher entitlement 28 per cent, no change 36 per cent, lower entitlement 36 per cent. Lone parent – no rent: higher entitlement 39 per cent, no change 9 per cent, lower entitlement 52 per cent (Source: DWP 2012e).

week will be able to benefit from support for childcare and Budgeting Advances will also be available to cover upfront childcare costs for UC claimants who have a confirmed job offer. Adam and Phillips (2013) also estimate that UC will improve the incentive for lone parents to be in paid work, and this is expected to be a greater improvement than the average for the population as a whole (see Table 47, page 100).

UC is also predicted to significantly strengthen the incentive for those with low levels of earnings (below around £7,000 per year) to increase their earnings. It is this group that currently face simultaneous withdrawal of several benefits and tax credits; this situation is eliminated by UC through its tapered withdrawal of benefit. Lone parents are expected to particularly benefit from this change (see Table 48, page 101). However, this will depend on whether those affected wish to or are able to work longer hours (e.g. due to family or other commitments/circumstances).

Although less aggressive means-testing under UC will strengthen the incentive for couples to have one partner in work, it will reduce the incentive to have both partners in work. The labour supply effects of UC in Wales estimated by Adam and Phillips (2013) are consistent with these changes in work incentives, with the introduction of UC expected to reduce the number of workless families, increase the number of one-earner couples, but reduce the number of two-earner couples in employment. Second earners in couples (i.e. the partner who earns less) are primarily women, so their employment prospects will be at greater risk when UC is introduced.

In the Budget 2013, the UK Government announced changes to childcare for tax credit recipients (UC recipients in future). The Institute for Fiscal Studies (IFS) estimate that around half a million families in GB will benefit. The current scheme covers 70 per cent of formal childcare costs up to a cap (£175 per week for one child, £300 per week for more than one child). The proposal is to increase this to 85 per cent if all adults are taxpayers from April 2016. This benefits relatively low-income (though not the lowest-income) working families using formal childcare, and will create a stronger incentive to have all adults in work and to use formal childcare. Therefore, this change will offset the reduced incentive for some second earners to move into paid work; however the extent of this offsetting effect is not clear.

Conditionality⁷

DWP (2012e) estimate that around 70 per cent of the partners who will be affected by the extended work-focused requirements under UC will be female.

Household benefit payment

There may be issues regarding the payment of UC for those claiming as a couple as (in most cases) this will be made as a single payment to one household member only. DWP (2012h) note that the UC payment will be made

⁷ The 'work-related requirements' a claimant has to undertake in relation to a UC award.

to an account nominated by household members (e.g. one partner's account or a joint account). If an agreement cannot be reached, a final decision on how UC will be paid will be made by the Secretary of State. Charities such as Oxfam have raised concerns that the UC payment is likely to be made to the male member of the couple⁸. Evidence by Sharp (2008) and Westaway and McKay (2007) suggests that this is a particular concern for women in households where domestic abuse is present. The household payment may make it more difficult for domestic abuse victims to have direct access to benefits/money, increasing dependence and making it harder to leave a violent partner. Research by Rotik and Perry (2011) also indicates that service users are concerned that joint payments would be unworkable for households where domestic violence is present. DWP (2012h) have confirmed that in exceptional circumstances, UC payment can be split.

Online access

Internet use varies only slightly by gender. For example, results from the National Survey for Wales (April 2012–March 2013) show that 76 per cent of men were current internet users compared with 71 per cent of women. Similarly, women were only slightly more likely to have never used the internet (24 per cent compared with 20 per cent of men). As there are no significant differences in internet usage by women and men, the move to online claiming is unlikely to have disproportionate impacts on either gender.

Household benefit cap

DWP (2012a) estimate that around 60 per cent of affected claimants will be single females and around 10 per cent will be single men. DWP expect the majority of affected households to have children and around 50 per cent to be single parents. Therefore, most of the single females affected are likely to be lone parents.

DLA, PIP and CA

Our research shows that the reforms to DLA account for some of the greatest cuts resulting from welfare reform in Wales. By May 2018, around 42,500 people in Wales are estimated to lose their entitlement as a result of this particular reform – an average loss of up to £83 per claimant per week and an annual loss of up to £183m in Wales as a whole.

As the proportion of men and women receiving DLA is almost equal in Wales in line with the proportions in the working-age population as a whole, there is no reason to suggest that either group is more likely to be affected by

⁸ For example, DWP (2012g) define the Household Reference Person (HRP, formerly known as the Head of Household) as the Highest Income Householder, without regard to gender. Despite this, average gross weekly earnings for males are higher than those for females (£555 and £470 respectively – source: Annual Survey of Hours and Earnings, Office for National Statistics. Wales data, 2012), and so this suggests that the HRP is more likely to be male.

the DLA reforms (Table 7, page 81). DWP (2012b) estimate that the proportion of men and women that will be entitled to PIP will also be roughly equal (46 per cent male and 54 per cent female at a GB level).

DLA also entitles recipients to premia in the following main income-related benefits: income-based JSA; income-related ESA/IB, IS, Pension Credit, HB and CTB. Therefore, the introduction of PIP will have an effect on this entitlement. Where available, DWP (2012c) has analysed data on entitlement to this premia by gender. The gender make-up of this caseload reflects the DLA caseload with almost equal number of males and females (at a GB level).

Loss of entitlement to DLA will also have knock-on effects on those receiving CA payments. Prior to the introduction of PIP, those caring for someone on the DLA middle or highest care rate can receive CA (subject to other eligibility criteria). DWP (2013) estimate that in October 2015 the CA caseload at a GB level will be 12,000 less under PIP (including new claims as well as re-assessed cases) compared to under DLA without reform. Assuming an impact proportionate to the GB aggregate (6 per cent), Wales will see a reduction in the CA caseload of around 700 (Welsh Government estimate). Significantly more females than males are entitled to, and receiving, a payment for CA. Therefore, any indirect impacts are likely to affect more females than males (see Table 9, page 81).

Time-limiting contributory ESA to one year for those in the WRAG

Around 56,000 claimants in Wales are estimated to have their benefit income reduced by up to £89 per week as a result of the time-limiting policy for contributory ESA (Welsh Government, 2013a).

Men are more likely to be affected by this policy than women given the split in the caseload data for Wales (53 per cent and 47 per cent respectively – see Table 20, page 85). However, this difference will start to erode as the female SPA is increased, and the upper age limit for claiming ESA is equalised. Some of those losing their contributory ESA will be partially or wholly compensated by income-related ESA. Based on caseload data, DWP (2011e) estimate that more men (66 per cent) would qualify for income-related ESA than women (54 per cent) once the time-limit is applied. As a result, the average loss in household net income for women is around £10 per week higher than for men.

Abolition of concessionary ESA ‘youth’ NI qualification conditions

Around 1,200 claimants are estimated to have been affected by the abolition of youth provisions under contributory ESA, with average weekly losses per claimant likely to be around £25 (Welsh Government, 2013a).

DWP (2011h) estimate that this measure is more likely to affect men than women given the caseload⁹ breakdown by gender. Those who would have

⁹ As data on ESA ‘youth’ cases is not held by the UK Government, DWP have based their assessment on IB ‘youth’ cases, which they believe are an accurate proxy given that the qualification criteria are the same for both.

received contributory-only ESA are more likely to see an income loss than those who would have received both contributory and income-related ESA (who would not incur a loss). Data for May 2010 shows that 57 per cent of the contributory-only IB 'youth' cases in GB were male and 43 per cent were female. This is a higher male proportion than for the IB youth claimants receiving both contributory and income-related IB (54 per cent). DWP note that around 90 per cent of those affected will qualify for income-related ESA (at the same or lower rate) given that they generally have low income levels and capital in comparison to other contributory ESA groups. Entitlement to this benefit will mean that some claimants become eligible to passported benefits (such as free school meals).

Reduction in support through the childcare element of tax credits

In 2010–11, there were 11,800 lone parents (55 per cent) and 9,500 couples (45 per cent) in Wales that were benefitting from the childcare element of Working Tax Credit (WTC) (Source: HM Revenue and Customs). Therefore, this policy measure will particularly affect single households with children, and hence more women than men, as women make up the majority of lone-parent households.

Changes to CB

Around 370,000 families and 640,000 children are likely to be affected by the freezing of CB rates for three years from 2011–12. Average weekly losses per family are estimated to be around £2.50 in 2013–14. In addition, around 31,000 families in Wales are expected to incur income losses of £25 per week on average as a result of the taper rate applied to CB (Welsh Government, 2013a).

It is difficult to assess the impact on gender equality of changes to CB, which is paid to an individual claimant on behalf of the child, and not for the personal benefit of the claimant. There is some evidence to suggest that families primarily do spend the CB on their children. Findings from a HM Revenue and Customs' Panel Survey with CB claimants show that 66 per cent stated they spent some or all of their CB directly on their children. For an additional 33 per cent of claimants, CB was distributed among the household to pay for general household expenditure. Only less than 1 per cent of claimants stated that they spent their CB solely on themselves or their partner (HM Treasury, 2010).

Council Tax Support (2013–14)

The UK Government has localised the responsibility for assisting people with their council tax and cut this funding by 10 per cent. The Welsh Government has provided £22 million additional funding in 2013–14 to support local authorities in providing all eligible claimants with their full entitlement to support, despite the shortfall in funding transferred from the UK Government. The development of revised Council Tax Support (CTS) regulations for 2014–15 onwards is currently underway.

Although in Wales this additional funding will protect income for females and males, it will benefit a greater number of females given the demographic make-up of the caseload. For example, DWP statistics (February 2013) show that single female (adult) households account for over 50 per cent of all CTB recipients in GB (single male and couple households each account for approximately 25 per cent of the remaining CTB recipients in GB).

Social Fund/Discretionary Assistance Fund

The Welfare Reform Act 2012 abolished the Social Fund (SF) in March 2013. The discretionary elements of the Fund – Crisis Loans (CL) and Community Care Grants (CCG) – have been transferred to the Welsh Government. A replacement scheme, the Discretionary Assistance Fund (DAF), which is managed and delivered by Northgate Public Services (in partnership with Family Fund Trading and Wrexham County Borough Council), has been in place since April 2013.

From April to June 2013, 7,759 full applications were made to the DAF scheme in Wales. Only one-third of claimants to the Fund have provided information on their gender. Of those that have, 52 per cent were female, 48 per cent were male, and less than 1 per cent were transgender, which is in line with the proportions in the working-age population as a whole in Wales (Annual Mid-year Population Estimates, 2012, Office for National Statistics, ONS). However, we do not know whether these respondents are representative of the overall DAF claimants.

The arrangements and eligibility criteria for the Welsh Government's Discretionary Assistance Payments will be kept under review to ensure that the most vulnerable in society are able to access the support and help they need in the current economic climate.

ILF

The Independent Living Fund (ILF) was closed to new applicants in June 2010. Current users will continue to receive ILF payments as long as they still meet the eligibility conditions. The decision to close the fund to new applicants will have an adverse effect on people in all equality groups who might have claimed since this cut-off date. Such individuals now have to rely on local authorities to address the needs that they sought to have met by the ILF.

In December 2012, following consultation, the UK Government confirmed that it will be closing the ILF in 2015 to its current users and devolving funding to local authorities in England and to the devolved administrations in Wales and Scotland. The Welsh Government is currently deciding how best to support the 1,781 ILF recipients in Wales who receive a four-week payment of £1,407 on average, which amounts to around £7.5 million per quarter (ILF, 2013). A number of options are being considered including local authority- and national Wales-wide-based options. Once these options have been finalised, there will be a consultation on the future of the ILF in Wales that will seek views from those affected and key stakeholders. Meanwhile, a transfer review

programme commenced on 2 April 2013 to help support users through the closure of the ILF. This programme will take around two years to complete.

The latest user profile data for the quarter ending March 2013 shows that the gender distribution of ILF users in Wales is broadly equal (48 per cent female, 52 per cent male – see Table 43, page 97) in line with the working-age population as a whole, and this has been the case for the last five years at least. Given this distribution, there is no evidence to suggest the closure of the ILF and devolution of funding to the Welsh Government will cause any adverse effects for ILF users based on their gender.

However, there may be an indirect adverse impact on carers if changes to packages increase the need for informal care. As a proxy for the gender distribution of informal carers in Wales, entitlement to CA can be used. As Table 9 (page 81) shows, over two-thirds of those entitled to CA in Wales are female. As a result, any impacts on informal carers that do occur are likely to affect more women than men. No data is available on the gender of those who provide informal care to ILF users.

Removing IS eligibility for lone parents based on the age of their youngest child

LPOs were introduced in November 2008 and since then, based on the age of their youngest child, lone parents have lost entitlement to IS solely on the grounds of being a lone parent. The majority of those affected are expected to move on to JSA. From May 2012, the age of the youngest child was lowered to five and over. In February 2012, there were around 5,000 lone parents in Wales claiming IS with a youngest child aged 5 or 6.

The latest LPO extension applies to all lone parents, both male and female, when their youngest child turns five. In Wales (and GB as a whole), 97 per cent of lone parents on IS are female (Table 26, page 88). Therefore, this measure will have a disproportionate impact on women.

It is estimated that up 1,250 affected lone parents in Wales could move into work given the increased focus on work preparation and obligations to look for work (Welsh Government, 2013a). However, the degree to which such lone parent employment interventions provide an effective incentive to look for paid work will be influenced by a number of potential barriers to employment. These may include few educational qualifications, mental or physical health problems, availability of part-time opportunities (often within school hours), local and flexible work, childcare, availability of suitable, flexible and affordable transport, and also the skills and judgements of local front-line staff (Finn and Gloster, 2010; Coleman, N and Riley, T, 2012).

Recent findings from a longitudinal survey of lone parents affected by LPO¹⁰ show that 45 per cent of lone parents had worked at some point since their IS claim ended. Such work was generally low-skilled at around the National Minimum Wage. Nearly all were working part-time. Around three in four lone parents in work (73 per cent) used some form of childcare while they were working, and this was more likely to be informal than formal. On average, lone parents were closer to the labour market after the LPO changes than when they were claiming IS (Coleman, N and Riley, T, 2012).

Size criteria for people renting in the SRS

In Wales, there were 86,230 single female HB claimants in the SRS compared to 43,580 single males¹¹. The proportion of single female HB claimants in the SRS in Wales (52 per cent) is double the proportion of single males (26 per cent), with couples accounting for the remaining claimants (22 per cent). The majority of the additional female claimants are lone parents of working age (Table 30, page 89).

DWP (2012h) estimate that 40,000 HB claimants in the SRS in Wales will be affected by this measure. More recent data from local authorities (June 2013) suggests that around 35,250 households in Wales have been affected. In line with the statistics above, DWP (2012d) estimate that around half of those affected by this policy are single females with the remainder of those affected split equally between single males and couples. Therefore, this policy is more likely to affect female claimants. Single males and single females are estimated to lose the same amount on average per week – £14 (GB level) – while couples will face an average loss of £15 per week.

HB: CPI up-rating of LHA

This measure potentially affects all HB claimants in the Private Rented Sector (PRS) whose claims are assessed according to the LHA rules. It is expected to affect 48,530 recipients in Wales with an average weekly loss of £6 (DWP, 2012i). DWP (2011g) expect that the breakdown of claimants by gender affected by this measure will be consistent with the breakdown of all HB PRS claimants. DWP statistics for February 2013 (Table 34, page 92) show that single females (48 per cent) make up a greater proportion of the HB caseload in the PRS in Wales compared to single males (30 per cent) and couples (22 per cent). Although the female proportion is in line with that for the HB PRS caseload, it is greater than that for the working-age population as a whole. Therefore, it is more likely that single females will be adversely affected than single males. Furthermore, single females receive a higher weekly HB award on

¹⁰ The survey specifically covers those with a youngest child of seven or eight when they left IS. The first wave of the survey was conducted in 2010 while lone parents were still on IS. The second wave took place in 2012, around one year after lone parents' eligibility for IS had ended, and tracks lone parents' destinations and experiences over time. At wave 2, 1,088 interviews were conducted in respondents' homes between February and April 2012. The analysis excludes lone parents who remained on IS (who were exempt from LPO changes).

¹¹ As HB can be claimed by a household as well as an individual it is not possible to assign only one gender to a household. Therefore, gender refers to the gender of **single claimants only**.

average (£84) compared to single males (£69). They are therefore more likely to incur a greater average income loss as a result of restricting the up-rating of LHA rates to the CPI (rather than rent levels in the local market). It is expected that similar impacts by gender will also occur as a result of the 1 per cent cap that will be placed on LHA rates in 2014–15 and 2015–16.

Increasing the SAR age threshold to 35

This policy is aimed at young, single HB claimants without children and DWP (2011i) expect 3,080 recipients in Wales to be affected (however, evidence from local authorities suggests this figure may be closer to 4,000). Although both the LHA and total HB caseload consists of a greater proportion of women (around 50 per cent) than men (around 30 per cent) and couples (around 20 per cent), most younger women claiming HB are lone parents and so will be unaffected by this policy. As few single men have full-time caring responsibilities for dependent children¹², DWP (2011i) estimate that most of those affected by this policy will be men (72 per cent).

Move from IB to ESA

In November 2012, there were 77,040 people in Wales claiming IB/Severe Disablement Allowance (SDA). Over half of these (41,490 or 54 per cent) were male (Table 16, page 83). Therefore the reassessment process, via the Work Capability Assessment (WCA), that will be undertaken for these claimants will affect more men than women.

Between October 2008 and November 2012, 103,700 WCAs were completed in Wales (female: 45,900, male: 57,800). In addition, 66,100 claims were closed before the initial functional assessment was completed and 10,800 were in progress. Of those that were completed, 41 per cent (or 42,900) were entitled to ESA and placed in either the WRAG (27,900) or the Support Group (15,000). Overall 59 per cent (or 60,800) were found fit for work and therefore no longer eligible for ESA. By gender, a slightly lower proportion of women have been found fit for work (57 per cent or 26,000) than men (60 per cent or 34,800).

In November 2012, there were 90,880 people in Wales claiming ESA. Similar to the IB caseload, over half of these (48,470 or 53 per cent) were male. Therefore, the introduction of ESA does not appear to have had a significant impact on the proportion of claimants in terms of their gender.

Cumulative impact of the welfare reforms

Income

Non-working lone parents (of which around 90 per cent are female) are one of the groups that will incur the largest reduction in benefit and tax credit entitlements in Wales as a result of the UK government's welfare reforms in

¹² FRS data (2008/09) shows that among all working-age private renters, most (64 per cent) single people without dependent children are male.

aggregate (Adam and Phillips, 2013). This reflects the fact that lone parents are generally reliant on income from benefits, and so they particularly lose out from the welfare cuts.

Work incentives and labour supply

As well as directly impacting on household income, benefit changes affect the financial incentive for individuals to undertake paid work, and the financial incentive for them to increase their earnings (e.g. through increasing their hours of paid work).

It is useful to look at analysis on the cumulative impact of the welfare reforms on the work incentives for lone parents given that a significantly high proportion of this group are female¹³. The incentive for lone parents to undertake paid work is little changed on average at all levels of earnings (see Table 47, page 100). Although UC strengthens the incentive for lone parents to work on average (see UC section above), the other reforms have a counteracting effect, which is driven by the tax credit reforms. For example, the increase in the child element of CTC (increasing out-of-work income) and the more aggressive means testing of tax credits (reducing in-work income) reduce the incentive to work across the income distribution. Cuts to WTC (e.g. increase in working hours requirement) add to this disincentive effect for those with low levels of earnings.

Overall, the incentive for lone parents in work to increase their earnings is significantly strengthened, and by far outweighs the gains seen by any other group (see Table 48, page 101). Lone parents particularly benefit from the removal of multiple overlapping tapers for those with low levels of earnings.

The predicted labour supply effects are consistent with the changes in work incentives. The reforms excluding UC are expected to lead to a small reduction in employment among lone parents. However, once UC is included, employment is expected to increase slightly among lone parents. With regards to the impact on hours worked and earnings, the reforms including UC are expected to lead to large increases in both for lone parents (7.0 per cent for total hours worked and 5.1 per cent for earnings compared to 1.0 per cent and 0.5 per cent respectively for the population as a whole). However, such impacts depend on a number of factors such as wider economic conditions and the availability of affordable transport and childcare (formal and informal).

For couples, overall the welfare reforms will strengthen the incentive to have one partner in work, but will reduce the incentive to have both partners in work. The reforms are therefore expected to reduce the number of workless families, increase the number of one-earner couples, but reduce the number of two-earner couples in employment. Second earners in couples (i.e. the partner who earns less) are primarily women, so their employment prospects will be at greater risk. For example, Adam and Phillips (2013) estimate that in Wales, women with children and a working partner will see a greater reduction in their

¹³ Impacts on work incentives may be different for those women who are not lone parents (e.g. single women with no family obligations).

employment rate (0.8 percentage points) than men with children and a working partner (0.5 percentage points).

Disabled people¹⁴

Key points

- Benefit rules differ on the basis of disability/impairment. For example, an otherwise identical disabled and non-disabled claimant may receive different amounts of benefit as a result of their disability status/impairment. Therefore, whether the claimant is disabled/non-disabled will impact on the extent to which they are affected by the welfare reforms. Other influential characteristics (e.g. employment, income, etc.) also differ between these groups.
- Major changes have already been made to disability and sickness benefits with more to come this year.
- Although the DWP has put in place some protection for disabled groups via exemptions and increased DHP, there will be significant impacts on disabled people in Wales. These are likely to be more pronounced than in the UK as a whole given the relatively high proportion of people in Wales in receipt of disability and sickness benefits.
- There will be particular impacts on disabled people as a result of UC; the household benefit cap; CPI benefit and tax credit indexation; 1 per cent cap on most working-age benefits and tax credits; size criteria in the SRS; and, changes to DLA, IB/ESA and the ILF. There will also be adverse effects on the carers of disabled people.
- The structure of UC will involve a number of changes for disabled people. More specifically, some disabled children, disabled people without an adult to assist them, disabled people in work, and disabled carers could lose some of the disability additions they receive under the current benefit system. However, DWP state that they intend to redistribute the savings from such cuts to the most severely disabled adults and some claimants will also be entitled to transitional protection.
- Under UC, the average monthly increase in entitlement for households with a disabled person will be smaller than that for all households in receipt of UC.

¹⁴ The Equality Act 2010 generally defines a disabled person as someone who has a mental or physical impairment that has a substantial and long-term adverse effect on the person's ability to carry out normal day-to-day activities. This differs slightly from the definition in the DDA, which also required the disabled person to show that an adversely affected normal day-to-day activity involved one of a list of capacities such as mobility, speech, or hearing.

- On average, the welfare reforms will strengthen the incentive to be in work for those who are receiving a disability benefit themselves or have a partner receiving a disability benefit¹⁵. This is driven by the time-limiting of contributory ESA (which in some cases will result in a large reduction in out-of-work income) and the introduction of UC respectively.
- For those who are already in work and in receipt of a disability benefit, their incentive to increase their earnings is expected to improve substantially, on average, mostly caused by UC. However, those in work with a partner receiving a disability benefit¹⁶ will on average see a reduced incentive to increase their earnings driven by both UC and the welfare cuts.
- Disabled people are less likely to live in households with access to the internet than non-disabled people. Some impairments may also make it harder for disabled people to use the online claiming process. Therefore, there may be risks associated with online claiming for this protected group.

Switch to indexing almost all benefits and tax credits to the CPI rather than the RPI

APS data for Wales shows that 38 per cent of people aged 16–64 claiming state benefits/tax credits in the year ending March 2011 were disabled. This is greater than both the equivalent figure for GB (33 per cent) and the proportion of disabled people in the working-age population as a whole (25 per cent). Therefore, disabled people are disproportionately represented among benefit/tax credit recipients.

In terms of income losses, given that disability and sickness benefit awards (ESA/IB, DLA, disability premiums within income-related benefits) are higher on average than other benefits such as JSA (see Table 1, page 76), disabled claimants may incur higher average losses than non-disabled claimants.

One per cent cap on most working-age benefits, tax credits (excludes disability and carers benefits) and CB

In order to provide some protection for vulnerable groups, this policy does not apply to DLA, Attendance Allowance (AA), the Support Group component of ESA (i.e. those not expected to look for work), disability premia in working-age benefits, and the disabled elements of tax credits. These will continue to be up-rated in line with prices (i.e. CPI). By exempting DLA, DWP (2013a) estimate that around half of households in receipt of DLA in GB will not be affected by

¹⁵ It is important to note that the findings on the impact of the welfare reforms on the incentive to be in work or increase earnings exclude some important reforms to disability benefits (particularly migrating the remaining stock of IB claimants to ESA and the associated reassessment of health conditions, which removes benefit entitlement for many people). The findings relate only to the reforms modelled by Adam and Phillips (2013). Also, some of the findings are based on small sample sizes (e.g. 53 disability benefits claimants in some instances) and therefore caution is needed when drawing conclusions from such a small sample.

¹⁶ The vast majority of whom will not be in work.

this measure in 2015/16. Although protected by the DLA exemption, the remaining claimants are affected due to receipt of other benefits that are not exempt from this measure.

Households that include a disabled person who is not eligible for a disability benefit will also be affected. Furthermore, these households are more likely to be affected in comparison to a household that does not include a person described as disabled (34 per cent of households versus 27 per cent of households¹⁷) because they are more likely to qualify for those benefits affected by the up-rating measure.

UC

As part of UC, the UK Government will be reforming the current system of multiple, overlapping disability premiums and tax credits. DWP (2011b) state that this system is difficult to deliver and can be prone to error and confusion for disabled people. As well as aiming to simplify the system, DWP note that they intend to focus resources on severely disabled people.

Equalised disabled additions for adults and children

It is currently the case that parents who receive CTC who care for disabled children are entitled to a top-up to their tax credit – a disabled child element (worth £3,015 a year or around £58 a week – 2013/14 rates), if their child receives any level of DLA. The most severely disabled children are entitled to a severe disability element (worth £4,235 a year or around £81 a week).

More generous up-rating in 2003–10 has meant that child payments have increased at a faster pace than the adult payments, which has led to a lack of alignment in rates. Under UC the lower disabled child rate will be aligned with the adult rate, i.e. limited capability for work (LCW) rate, while the higher disabled child rate will be higher than the corresponding adult rate, i.e. limited capability for work and work-related activity (LCWRA) rate. However, over time the LCWRA rate will be raised to align it to the higher disabled child rate.

It is expected that the higher disabled child rate will link to the top rates of the DLA care component/PIP daily living component. As this rate appears to be slightly higher than the current severely disabled child element, this suggests that families with the most disabled children may be slightly better off.

Families of children receiving the middle or lower rates of DLA/standard rate of PIP will qualify for the lower disabled child rate and would receive a smaller additional element for a child's disability under UC (around £28 a week) than is currently the case (£58 a week via the disabled child element of CTC).

¹⁷ Based on the DDA definition (which has now been replaced by the Equality Act 2010).

HMRC data¹⁸ for 31 March 2013 on in-work tax credit claimants benefitting from the disabled child element suggests that around 8,700 children in Wales within 8,100 households would be affected by this change (UK: 160,000 children within 150,000 households). Of these, 3,400 children are currently in receipt of the severely disabled child element and are likely to see a slight increase in their entitlement (UK: 60,000 children). However, the remaining 5,300 children in receipt of the disabled child element are likely to have a lower entitlement as a result of the reforms to disability benefits under UC (UK: 100,000), although some of these households could benefit from other UC changes and others would receive transitional protection. Under UC there will also be cases which are not in work that will be affected by this change.

Abolition of the Severe Disability Premium

Currently, working-age disabled people receiving the middle- or higher-rate care component of DLA and on means-tested benefits (e.g. IS, JSA, income-related ESA, HB, etc.) may be entitled to the Severe Disability Premium (SDP). The entitlement criteria also requires the claimant to be living on their own (or just with children) with no assistance from a carer who is paid CA. This premium provides support (£59.50 a week, 2013/14 rate¹⁹) to disabled people to meet the extra costs of living alone or without an adult carer. For disabled parents, the premium can help reduce the pressure on their children to care for them. UC will reform such disability premiums in means-tested benefits. The disability element of UC will be simpler than the current system of ESA and disability premiums in other means-tested benefits. There will be no equivalent to the enhanced and SDPs that currently exist in most means-tested benefits, which means that claimants could lose up to £59.50 a week. This will affect new claimants in the first instance. Current claimants will not see their benefit cut immediately as a result of transitional protection against losses under UC.

Disability Rights UK, Citizen's Advice Bureau, and the Children's Society (2012) report that around 230,000 disabled adults (claiming IS or JSA) in GB receive the SDP, with 25,000 being lone parents.

In Wales, there were around 9,140 IS claimants with a SDP in November 2012, with 200 of these lone parents. In addition, it is estimated that there were around 100 JSA claimants in Wales with a SDP²⁰ (DWP Information Governance and Security Directorate).

¹⁸ This data is based on a random sample of families receiving CTC or WTC as at 31 March 2013. The sample comprises 10 per cent of such single adults (with or without children) and 20 per cent of such couples. These figures are therefore estimates.

¹⁹ www.gov.uk/disability-premiums-income-support/what-youll-get

²⁰ 100% Work and Pensions Longitudinal Study (IS) and 5% sample (JSA). Notes: 1. IS figures have been rounded to the nearest ten. JSA figures are to the nearest hundred. 2. IS figures exclude residual MIG claimants. 3. JSA figure is based on very few sample cases and therefore subject to a high degree of sampling variation, so such figures should be used as a guide only. 4. Lone parents are defined as single claimants with a child under 16 years.

Changes to support for working disabled adults

The current ESA permitted work rules allow people to undertake some work while retaining their ESA. For example, the current permitted work lower limit allows someone to earn up to £20 per week indefinitely before any benefit is withdrawn and the permitted work higher limit allows someone to work for less than 16 hours per week, earning below £99.50 per week, for up to 52 weeks (indefinitely for those in the Support Group) before they lose entitlement.

Disabled people who work 16 hours or more a week who have an impairment that puts them at a disadvantage in getting a job and who are receiving or have recently received a qualifying sickness or disability related benefit are currently entitled to the disabled worker element of WTC. On 1 April 2013, 7,500 families in Wales were benefitting from this element (HMRC, 2013), which is worth around £55 per week.

Under UC, there will be no distinction between disabled people working less or more than 16 hours a week. This will resolve the problem for disabled people who would like to earn more than £20 but are unable to work 16 hours or more a week. Those requiring additional support because they are disabled will have to take the ESA WCA. Based on the result of this assessment, the appropriate elements (LCW or LCWRA) will be included in their UC entitlement even if they are working full-time. Claimants will also be eligible for a disability disregard (see page 37). However, those assessed as being 'fit for work' will receive no extra in-work support within UC.

Additional support for disabled adults in the Support Group for ESA

The premium that is currently paid to the Support Group in ESA will be increased. DWP (2011a) note that resources released from abolishing the current premiums (outlined above) will be re-invested into the support component equivalent, raising it in stages as resources become available from £32.35 to around £77 (2011/12 benefit rates). The lower addition paid to the WRAG component equivalent will be worth £26.75 per week (as now). This will widen the very small difference (£5) between the two ESA components that currently exists, with the aim of focusing resources more effectively on severely disabled people.

Although the overall impact is intended to be revenue neutral, the reforms will create winners and losers among those currently claiming disability benefits. For example, single individuals claiming at the higher and middle rates of the care component of DLA will lose out, as the SDP element of IS will be lost under UC. While others who are in the ESA Support Group (and are not entitled to the SDP because they either have a partner to care for them or are not entitled to either the middle or higher rate of the care component of DLA) will gain because the premium given to those in this group will increase.

Qualification for either a disability or a carer element, not both

Some carers that currently claim income-related ESA are entitled to both the disability and carers' premiums, thereby recognising that some carers also have health problems themselves. However, following the introduction of UC, a carer will only be entitled to either a carer or an adult disability element, not both. The carer will receive one of the disability elements if this is worth more than the carer element. If a carer's circumstances remain the same they should not be worse off when they move onto UC as they will be entitled to transitional protection, a top-up payment to keep their income at the same level as their previous benefit(s). Yet this will not protect all of those affected, and this change will mean that some carers with health problems will be worse off under UC. This is also likely to have a disproportionate impact on females and those aged 35–64 given the demographic make-up of carers.

Furthermore, only one person can claim the carer element for caring for one severely disabled person. If there are two carers for the same person, each caring at least 35 hours, the carers will need to agree who will claim the carer element. However, where there are two adults in the same household, and both fulfil the caring criteria but for two different disabled people, then UC will pay a carer element for each adult.

Higher earnings disregard and single taper

Under UC, each family will have a certain level of earnings disregarded before UC starts to be withdrawn on a single tapering basis. The level of earnings disregard will vary by family type and will be lower for those receiving the housing element than for others.

DWP (2011b) note that the single taper and a higher disregard for households with a disabled adult (up to £7000) will support those disabled people who can to work a few hours (especially those with fluctuating capacity to work, for example because of mental health problems).

Conditionality requirements

As well as significantly changing benefit withdrawal rates and income disregards, UC involves a significant change in the job-search requirements for those in receipt of means-tested benefits. Under UC, an hour's limit for work-search requirements will be replaced by an earnings threshold that is significantly tougher²¹. Adam and Phillips (2013) estimate that around 170,000 individuals in Wales would face work-related conditionality if this conditionality is imposed up to the maximum earnings thresholds, and assuming full take-up of UC among those entitled. This compares to around 120,000 prior to the

²¹Adam and Phillips (2013) note that work search requirements may extend to many more, especially those in couples. For example, JSA conditions apply up to 16 hours or £76 (£121 for couples), while UC may extend this to 35 times the minimum wage per week = £213 (£426 for couples).

introduction of UC (again based on full take-up)²². DWP (2012e) estimate that just over one-quarter of the partners who will be affected by the revised conditionality arrangements under UC are disabled.

Overall impact of UC on household income

DWP (2012e) estimate that the average monthly increase in entitlement for households with a disabled person (£8) will be smaller than that for all households in the population pool²³ (£16). This is attributed to the fact that disabled households are more likely to be out of work, and such households are less likely to see a change in entitlement under UC.

Overall impact of UC on poverty

An assessment of the impact of UC on poverty was undertaken as part of DWP's 2011 impact assessment but this does not take into account the 2012 Autumn Statement announcement, which makes UC less generous. In their latest impact assessment (December 2012), DWP have not quantified the impact of UC on poverty. Although, the UK Government's Minister for Disabled People has provided updated poverty figures in response to a parliamentary question²⁴, these only relate to all affected households and are not broken down by different groups (for example households with a disabled person).

DWP (2011a) previously estimated that 550,000 adults and 350,000 children would be able to move out of poverty as a result of UC. However, the most recent numbers²⁵ on those moved out of poverty are 350,000 and 250,000 (for adults and children respectively), or 250,000 and 150,000, depending on the assumed impact of the minimum income floor²⁶. However, this is a relative measure of poverty and therefore much of the difference between the original estimates and the latest estimates is accounted for by changes in the poverty line rather than a reduction in the incomes of those affected by UC.

²² Figures calculated using the IFS tax-benefit micro-simulation model, TAXBEN, and the FRS 2007/08, 2008/09 and 2009/10. Figures exclude the self-employed who will be assumed to be earning an amount equivalent to the number of hours they are expected to work or be looking for work in UC multiplied by the National Minimum Wage for their age, minus notional income tax and NI contributions. The expected hours depends on the claimant's circumstances, for example for someone over 25 who has no limitations on the hours of work the level would be set at 35xNMW. Where a person has limitations on the hours they can work the MIF level will be reduced accordingly (DWP, 2012e).

²³ DWP has defined a 'population pool' as all households who would otherwise have been on the legacy benefits or tax credits which were abolished by the Welfare Reform Act 2012, and those who become newly entitled as a result of the new UC payment rules.

²⁴ www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130115/text/130115w0003.htm

²⁵ Disability minister Esther McVey in response to a parliamentary question (15/01/2013): www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130115/text/130115w0003.htm

²⁶ This is an assumed level of earnings that DWP will use to calculate UC payments for the self-employed if their earnings are below that level. The level of the MIF will be set at an amount consistent with the work and earnings expectations of others in similar circumstances. If there are no limitations on the number of hours that the claimant can work, the minimum income floor is likely to be the equivalent of working 35 hours per week at the National Minimum Wage for the relevant age group.

Given the revised figures, the estimate that around 250,000 individuals in households with a disabled person will move out of poverty as a result of increased take-up and changing entitlements that was included in the 2011 impact assessment will also be significantly less. This impact assessment also notes that disabled people are slightly less likely to leave poverty. This is because they are more likely to be out of work and the reduction in poverty as a result of UC will be primarily experienced by in-work households. This point still holds. Although the assessment of the impacts on poverty does not take into account any behavioural responses (e.g. moves into employment) that may reduce poverty, it also excludes the poverty-increasing impact of the wider welfare cuts.

Impact of UC on work incentives²⁷

On average, UC is expected to lead to a significant strengthening in the incentive to be in work for those with a partner receiving a disability benefit. This is much greater than the average improvement expected for the population as a whole. However, on average those receiving a disability benefit will see a slight deterioration in such incentives (Adam and Phillips, 2013) (see Table 47, page 100).

Similar to the pattern that prevails for the cumulative impact of the welfare reforms, those that are already in work and in receipt of a disability benefit are expected to see a substantial improvement in their incentive to increase their earnings on average as a result of UC (Adam and Phillips, 2013). Those in work and with no adult in the family receiving a disability benefit will also see an improvement in the incentive to increase their earnings on average, albeit to a much lesser extent. Conversely, those in work with a partner receiving a disability benefit will see a deterioration in the incentive to increase their earnings on average (see Table 48, page 101) typically because the UC withdrawal rate is higher than the tax credit withdrawal rate faced under the old regime.

Online access

A key component of UC will be the use of online claiming, with the UK Government aspiring to have 80 per cent of transactions conducted digitally by 2017. There are risks associated with this as not everyone has access to the internet or can use particular sites, which includes some people within the protected groups. To mitigate these risks, DWP say that they will offer alternative access routes predominantly by telephone but also face-to-face for claimants on a needs basis. At the time of writing, it is not clear how this need will be assessed. Provided appropriate support is given, the move to online claiming may bring opportunities to increase the number of people using the internet for the first time, which could then lead to people recognising and taking

²⁷It is important to note that some of the findings on the impact of the welfare reforms on work incentives are based on small sample sizes (e.g. 53 disability benefits claimants in some instances) and therefore caution is needed when drawing conclusions from such a small sample.

advantage of opportunities such as online job search and job applications and access to other information and public services.

However, in Wales, one-quarter of adults do not regularly use the internet. Furthermore, disabled people are significantly less likely to live in households with access to the internet than non-disabled people. For example, 60 per cent of those that have a long-standing illness or are disabled/have an impairment use the internet compared with 82 per cent that do not have any reported health issues (National Survey for Wales, 2012b). It is important, however, to recognise that internet access can be unaffordable for some people, and that public access is not always available/appropriate and people may lack the necessary skills. Furthermore, online claiming may leave some people particularly vulnerable to issues such as identity theft and online security. This may include disabled and older claimants. In addition, people that did not require advisory services before the introduction of online claiming may now need such services, potentially affecting their independence and creating additional costs.

Where carers or other persons assist a disabled person with claiming (online or otherwise), and a claim becomes subject to investigation or sanctions, liability needs to be clarified as this may place the disabled claimant in a particularly vulnerable position.

Household benefit cap

Recognising the additional costs faced by disabled people, all claimants in receipt of DLA (or its replacement PIP), AA, Industrial Injuries Benefit, or the support component of ESA are exempt from the cap on total household welfare payments.

However, as noted by DWP (2012a), disability can be defined in a number of ways and receipt of these disability benefits is just one way. Therefore, not all disabled claimants will be protected from the impacts of the household benefit cap by this exemption. DWP estimate that of those households that lose from this policy, around 50 per cent will contain somebody who is classed as disabled under the Equality Act 2010.

DLA, PIP and CA

DWP data for November 2012 shows that there were 246,440 DLA recipients in Wales. This gives an idea of the number of recipients that will be affected by the gradual replacement of DLA with PIP. In Wales, existing DLA claimants will be affected from October 2013 while new claims for PIP commenced in June 2013. DLA recipients account for 8 per cent of the population in Wales compared to only 5 per cent in GB as a whole. Given this, Wales is expected to be harder hit by the DLA reforms.

Given the purpose of DLA to provide a cash contribution towards the extra costs of needs arising from an impairment or health condition, the vast majority of recipients are likely to be covered by the definition of disability as outlined in the

Equality Act 2010 (which is the current definition used for the purposes of Equality Impact Assessments). Although a breakdown of DLA recipients reflecting the Equality Act 2010 definition is not available, the Family Resources Survey (FRS) (2009/10) does provide information on the disability status of DLA recipients as defined by the previously used Disability Discrimination Act (DDA). This source suggests that over 90 per cent of adult DLA recipients are DDA disabled. However, DWP (2012c) note that this is likely to be an underestimate and is subject to measurement error.

The most common main medical conditions of DLA recipients in Wales are arthritis (14 per cent), psychosis (11 per cent) and learning difficulties (10 per cent).

While 45 per cent of the reassessed DLA caseload is expected to receive an increased award or no change, 30 per cent are expected to see a reduction in their award and 25 per cent may lose eligibility altogether. It is estimated that there will be around 42,500 fewer individuals in receipt of PIP by May 2018 compared with what would have happened under DLA (Welsh Government, 2013a). As well as losing eligibility for PIP (or receiving a lower-level award than before), people may also lose other benefits to which receipt of DLA/PIP is a passport, e.g. Blue Badge (Disabled Parking) scheme, exemption from the household benefit cap, and increasing the age threshold for the HB SAR. Where DLA recipients have a carer in receipt of CA, they may also see knock-on effects of DLA reform. For example, the Welsh Government estimates that in October 2015, 700 claimants will no longer be eligible for CA in Wales under PIP compared to under DLA (i.e. without reform)²⁸. This is likely to have an impact on more disabled than non-disabled people as carers are more likely to be disabled than the population in general (DWP, 2012c). For example, the FRS (2009/10) indicates that 30 per cent of those receiving CA classify themselves as DDA disabled compared to around 17 per cent of the population as a whole. Furthermore, around 20 per cent of those entitled to CA are also in receipt of DLA (Disability and Carer's Database, May 2011). This overlap means that some carers will incur a direct (entitlement to PIP) and indirect (entitlement to CA) impact from DLA reform.

DLA awards are based on a specific condition or impairment. Reviews of such awards can be infrequent with some made for an indefinite period and possibly not reflecting changes in the impact of impairments. However, PIP will be awarded based on an individual's ability, and this will be for a fixed period and subject to regular reassessment (except where the claimant has a terminal illness). Although this regular reassessment will create uncertainty for claimants about future entitlement, DWP's intention is to ensure that awards remain correct and reflect potential changes in claimants' ability.

²⁸ DWP (2013) estimate that in October 2015 the CA caseload at a GB level will be 12,000 less under PIP (including new claims as well as reassessed cases) compared to under DLA without reform. The Welsh Government estimate assumes an impact proportionate to the GB aggregate (6 per cent).

Time-limiting contributory ESA to one year for those in the WRAG

Around 56,000 claimants in Wales are estimated to have their benefit income reduced by up to £89 per week as a result of the time-limiting policy for contributory ESA (Welsh Government, 2013a).

Given that ESA is directly targeted at people with health conditions that limit their ability to work, this policy change is likely to have a disproportionate impact on disabled people. DWP (2011a) note that most people in receipt of contributory ESA for more than a year are likely to be covered by the Equality Act 2010 disability definition. Indeed, self-reported information in the FRS (2008/09) shows that around 90 per cent of ESA and IB recipients considered themselves to be 'disabled' (on the basis of the definition in the DDA).

Given the recorded primary medical conditions for those claiming contributory ESA in the WRAG, this time-limiting policy is likely to affect more people with mental and behavioural disorders and with diseases of the musculoskeletal system and connective tissue than those with other conditions (see Table 23, page 87).

However, impacts are mitigated for the most severely disabled (and those on low incomes) as the Support Group in ESA (and income-related ESA) will not be subject to the time limit. Also, individuals with low or no other income may already be entitled, or will become entitled, to income-related ESA, which will wholly or partially compensate their loss of contributory ESA. For those who do not qualify for income-related ESA (due to other income sources), they will still be able to access the support of the Work Programme to help them move towards the labour market.

DWP note that this policy change represents a move towards alignment with contributory JSA but has a longer period before the time-limiting takes effect, recognising some disability-related barriers to work.

Abolition of concessionary ESA 'youth' NI qualification conditions

As ESA is only available to those with limited capability for work due to being disabled or having a health condition, most (around 90 per cent²⁹) ESA 'youth' cases are likely to be classified as disabled. Therefore, this measure will disproportionately affect disabled people, particularly those with mental and behavioural conditions and diseases of the nervous system, as these are the most prevalent primary medical conditions for IB 'youth' claimants (55 per cent and 16 per cent respectively – DWP Longitudinal Study, May 2010).

When comparing primary medical conditions and receipt of DLA for IB 'youth' and IB 'non-youth' claimants, this suggests that the former are more likely to have long-standing conditions and be in need of more support. In addition, a greater proportion of those aged under 21 (23 per cent), which can be used as

²⁹ Around 90 per cent of ESA and IB recipients are 'disabled' using self-reported information in the FRS (08/09) on whether the customer is disabled under the terms of the DDA, which was in force at the time of the survey.

a proxy for ESA 'youth' claimants, have been placed into the Support Group³⁰ following their WCA for ESA compared to all claimants (9 per cent)³¹.

Changes to CB

HMRC have not identified any significant impacts on this group as a result of tapering CB away from families containing someone earning more than £50,000.

CTS (2013–14)

Statistics on CTB recipients are not collected on the basis of specific impairments, thus only those in receipt of a disability benefit (DLA, AA, SDA, IB, IS with a disability premium, or ESA) can be considered. In Wales, households containing an adult receiving a disability-related benefit account for 57 per cent of expenditure on CTB suggesting that such households will particularly benefit from the extra support (£22 million) provided by the Welsh Government in 2013–14. This figure would be even higher if it included those with a disabled child in the households (Adam and Browne, 2012).

SF/DAF

From April to June 2013, 7,759 full applications were made to the DAF scheme in Wales. Only one-third of claimants to the Fund have provided information on their disability status. Of those that have, 14 per cent were registered disabled. This is less than the proportion in the working-age population as a whole in Wales (24 per cent – APS, 2012). Data is unavailable for the proportion of the 16-plus population in Wales who are registered disabled, but this proportion is likely to be even higher given that the likelihood of being registered disabled tends to increase with age. However, we do not know whether the DAF claimants who have provided this information are representative of the overall claimants.

The Welsh Government will continue to monitor the spread of applications and awards by disability status (and other protected characteristics) under the new system.

ILF

Generally, ILF payments are paid according to support needs rather than on the basis of a particular disability or medical condition. Table 45 (page 98) shows ILF service users in Wales by main disability. Severe learning disabilities (35 per cent) and cerebral palsy (16 per cent) are the two most common conditions.

³⁰ The effects of a claimant's health condition or disability are so severe that it would be unreasonable to expect them to prepare for work.

³¹ Based on internal DWP analysis of the data used to compile the report *Employment and Support Allowance: Work Capability Assessment by Health Condition and Functional Impairment: October 2010* (DWP, 2010).

Removing IS eligibility for lone parents based on the age of their youngest child

Some of those affected by the LPO may be disabled. Indeed, survey evidence suggests that lone parents are more likely to report being disabled (20 per cent) than the working-age population as whole (17 per cent³²). In order to mitigate the impacts on this group, DWP (2011f) note that those eligible to claim ESA³³ will receive tailored support. However, survey findings by Coleman and Riley (2012) show that many respondents affected by the LPO extension did not think that they had received help or advice while on ESA (74 per cent), and respondents were more likely to agree than disagree that on ESA recipients are pressured into things they do not want to do. Other affected claimants may have a disabled child or child with a health condition. DWP have put in place an exemption to mitigate the impact on this group. For example, lone parents on IS who have a child for whom the middle or highest rate care component of DLA is payable will continue to be eligible to claim IS when their youngest child reaches five.

However, evidence suggests that both of the above groups (i.e. those with a health condition or who are disabled themselves and those with a disabled child) may find it more difficult to move into work (DWP, 2011f) and may therefore not see as many benefits from this reform compared to the remainder of affected lone parents.

Changes to the hours eligibility rules for WTC

This policy change is estimated to affect approximately 9,400 households in Wales, with weekly income losses of up to £74 (Welsh Government, 2013a). Some of these households may include a disabled person. From April 2012, couples with children are required to work 24 hours a week between them (with one of them working at least 16 hours) to qualify for WTC. This brings the policy more in line with lone parents who have to work for 16 hours to qualify for WTC. However, couples where a disabled member works 16 hours will continue to qualify for WTC even if the household does not work 24 hours between them.

Size criteria for people renting in the SRS

DWP have put in place some exemptions from this measure that will benefit households containing a disabled adult or child. For example, a disabled tenant or partner who needs a permanent non-resident overnight carer will be allowed an extra room. However, there are concerns that disabled people who need carers to stay overnight occasionally will not be considered eligible for an additional bedroom.

³² Source: Household Labour Force Survey, 2010, quarter 2. As defined under the DDA (which has now been replaced by the Equality Act 2010).

³³ Survey evidence suggests that immediately after leaving IS, lone parents were most likely to move onto JSA (55 per cent), while 12 per cent claimed ESA and 24 per cent got a job (Coleman, M and Riley, T, 2012).

DWP March 2013 guidance that was issued to local authorities confirms that a room should be allowed for a disabled child unable to share due to the nature of the disability. There is concern that this introduces discretion to the system, which will inevitably lead to inconsistencies in approach by local authorities. Furthermore, this concession does not apply to adults. There are likely to be cases where it would be unreasonable for disabled claimants to share a room with a partner or spouse. There is also concern that storage for disability aids or equipment is not considered.

Some disabled people may have to leave an adapted property if it is deemed to have too many bedrooms for their needs. However, in certain circumstances affected claimants may be entitled to a payment from the DHP fund, which is administered by local authorities for those they consider in real need of additional help with their housing costs. These payments are made at the discretion of local authorities and so there are likely to be some inconsistencies in approach. An additional £25 million per year is available in 2013/14 and 2014/15 to help support those disabled claimants living in properties that have been significantly adapted to their individual needs. This aims to avoid instances where disabled claimants have to move from such properties to a smaller property where those adaptations would have to be made again, and potentially removed from the original property. However, recent evidence from local authorities shows an unprecedented increase in demand for DHPs in Wales. This clearly suggests that this funding is insufficient and is only a short-term solution.

Despite some concessions for disabled adults and children, a higher proportion of households containing a disabled person are more likely to be affected by the introduction of the size criteria in the SRS than non-disabled claimants. Depending on what definition of disability is used, DWP (2012d) estimate that 56–63 per cent of those affected in GB³⁴ are disabled.

This high proportion is attributed to the fact that disabled claimants are, on average, older than non-disabled claimants and hence are more likely to live in smaller households without children as they have often grown up and left home. Under the new size criteria, claimants are then deemed to have 'spare' rooms and may need to move, or face a reduction in HB.

DWP estimate that the average weekly reduction in HB for those affected by this reform will be same for disabled and non-disabled claimants (£14).

³⁴ DWP's Impact Assessment (2012d) does not contain an assessment of equality impacts at a Wales level. As Wales has a higher proportion of disability claimants than GB as a whole, the proportion of disabled claimants affected by this reform may be even higher than the GB estimate. However, DWP's Impact Assessment predates further exemptions from this measure (e.g. disabled children who are unable to share a bedroom) that were announced in March 2013. This will reduce the number of households containing a disabled person that are adversely affected by this measure.

HB: CPI up-rating of LHA

This measure potentially affects all HB claimants in the PRS whose claims are assessed according to the LHA rules. Therefore, DWP (2011g) expect that the breakdown of claimants by disability/impairment that are affected by this measure will be consistent with the breakdown of all HB PRS claimants. Unfortunately, a breakdown of the HB caseload in Wales by disability/impairment is not published by DWP. However, as part of their Equality Impact Assessment of this measure, DWP have provided this breakdown at a GB level (Table 36, page 92). This shows that around half of those affected by this measure have someone in the household who describes themselves as being disabled as defined in the DDA. Again, this is in line with the breakdown of all HB claimants in the PRS, and suggests that disabled people are no more likely to be affected than non-disabled people. However, it is worth noting that disabled people are less represented in the PRS than in the HB population as a whole because a higher proportion of disabled recipients live in the SRS.

Increasing the SAR age threshold to 35

Exemptions from the SAR that were in place prior to the introduction of this policy in January 2012 continue to remain in place (with the addition of extra exemptions). One of these exemptions includes those in receipt of the SDP in their benefit (because they are entitled to the middle- or higher-rate element of the care component of DLA or the daily living component of PIP). Although DWP (2011i) estimate that this exemption will benefit around 4,000 disabled people in GB, some disabled people (such as those with mobility difficulties or low-level care needs) who meet the Equality Act 2010 definition will be affected. However, some of these may be exempt because they live in certain types of supported accommodation.

FRS data provides a useful indication of the disability of private renters according to the Equality Act 2010 definition. This shows that 9 per cent of single, childless private renters aged 25–34 are disabled. This is a lower proportion of disabled people than the overall private renters' level (22 per cent), which is expected given that they are younger.

Administrative data also shows that 18 per cent of single, childless LHA claimants have a benefit award that includes disability elements (Single Housing Benefit Extract, DWP Longitudinal Study, May 2010). Although this estimate takes account of those who would be exempt through receipt of SDP or living with a non-dependant, it does not account for the fact that some of this group would be helped by the exemption for those claimants who require overnight care and have a bedroom for a non-resident carer.

Move from IB to ESA

In November 2012, there were 77,040 people in Wales claiming IB/SDA. Nearly 40 per cent reported having a mental and behavioural disorder as their main medical condition. Therefore, the reassessment process (via the WCA) that will

be undertaken will affect a greater number of claimants with this condition than any other condition.

Between October 2008 and November 2012, 103,700 WCAs were completed in Wales. As expected, in line with the IB caseload proportions, 40 per cent of these completed assessments were for people with mental and behavioural disorders (as their primary medical condition). In addition, 66,100 claims were closed before the initial functional assessment was completed and 10,800 were in progress. Of those that were completed, 41 per cent (or 42,900) were entitled to ESA and placed in either the WRAG (27,900) or the Support Group (15,000). However, overall 59 per cent (or 60,800) were found fit for work (and therefore no longer eligible for ESA). There is significant variation in the proportions found fit for work by primary health condition. These proportions vary from 17 per cent (neoplasms/congenital malformations, deformations and chromosomal abnormalities) to around 70 per cent (diseases of the skin and subcutaneous system/injury, poisoning and certain other consequences of external causes).

In November 2012, there were 90,880 people in Wales claiming ESA. Similar to the IB caseload, the most common main medical condition reported was a mental and behavioural disorder (45 per cent). The introduction of ESA doesn't appear to have had a significant impact on the proportion of claimants in terms of their disability.

Cumulative impact of the welfare reforms

Income

No analysis currently available. However, the above analysis of each of the main welfare reforms in isolation suggests that there will be significant negative impacts on the incomes of some disabled people in Wales.

Work incentives³⁵

Adam and Phillips (2013) estimate that, on average, the welfare reforms modelled (including UC) will strengthen the incentive to be in work for those who are receiving a disability benefit themselves (see Table 47, page 100). This is entirely explained by a very substantial strengthening among the minority who have working partners, likely to be driven by the time-limiting of contributory ESA. For disabled people with working partners (whose earnings disqualify the family from income-based ESA), the removal of contributory ESA is a big cut to their out-of-work income and significantly strengthens their incentive to be in work. The story is rather different for people with disabled partners. The vast

³⁵ It is important to note that the findings on the impact of the welfare reforms on the incentive to be in work or increase earnings exclude some important reforms to disability benefits (particularly migrating the remaining stock of IB claimants to ESA and the associated reassessment of health conditions, which removes benefit entitlement for many people). The findings relate only to the reforms modelled by Adam and Phillips (2013). Also, some of the findings are based on small sample sizes (e.g. 53 disability benefits claimants in some instances) and therefore caution is needed when drawing conclusions from such a small sample.

majority of these people fall into the 'partner not working' categories, who see a reduced incentive to work from the cuts excluding UC (caused by tax credit increases) outweighed by an increased incentive to work from UC (because UC is more generous to low earners).

For those that are already in work and in receipt of a disability benefit, their incentive to increase their earnings is expected to improve substantially, on average (Adam and Phillips, 2013). This is mostly caused by UC, and largely driven by a minority who are subject to tax credit withdrawal under the old regime but do not face UC withdrawal. A significant fraction are earning less than £7,000 per year (the earnings that are disregarded before UC is withdrawn from families in which someone is disabled), with others not entitled to UC despite being entitled to tax credits under the old regime (either their unearned income/assets disqualify them, or UC runs out at a lower income level than tax credits). Those in work with a partner receiving a disability benefit will see a deterioration in the incentive to increase their earnings, on average (Table 48, page 101). This is equally attributable to UC and the welfare cuts.

Age

Key points

- Benefit rules differ on the basis of age. For example, generally lower payments are made to people aged under 25 years compared to those over that age. Therefore, whether the claimant is younger or older will have an impact on the extent to which they are affected by the welfare reforms. Other influential characteristics (e.g. income, employment, etc.) also differ between these groups.
- Overall, pensioners are largely unaffected by the welfare reforms as most of these apply to working-age benefits.
- The reforms expected to affect a greater number of younger than older working-age people are the abolition of concessionary ESA 'youth' NI qualification conditions (under 25s); LPO extension (25 to 34-year-olds); and, increasing the age threshold for the SAR (25 to 34-year-olds).
- The reforms expected to affect a greater number of older than younger working age people are time-limiting ESA to one year (over 50 years old); DLA (50 to 64 years old); tapering CB away from families containing someone earning more than £50,000 (51 to 64 years old); and the new size criteria in the SRS (45 up to the qualifying age for State Pension Credit). In addition, on average, households where the head is over 50 are more likely to see a decrease in their entitlement under UC compared to households where the head is under 25.
- Those aged between 55 and the SPA see a greater strengthening of the incentive to be in paid work from both UC and the other welfare reforms than younger people.
- Those aged 55 or over who are in work will have a stronger incentive to increase their earnings, although this improvement is greater for those aged 25–54. However, for those under 25 years and in work, there will be a reduced incentive to increase earnings.
- Age is an important factor in determining digital exclusion. As most UC claims and notifications are to be dealt with online, this could disadvantage older people given that they may be less familiar with the internet.

Switch to indexing almost all benefits and tax credits to the CPI rather than the RPI

DWP and population data for Wales suggests that those aged under 25, 25–34 and 35–44 are slightly under-represented in the benefit claimant caseload. On the other hand, those aged 45–54 and 55–59 are over-represented and so are more likely to be affected by this measure (Table 2, page 79).

As well as the likelihood of being in receipt of one or more of the affected benefits, the value of such benefit awards will have an impact on the extent of income lost as a result of this policy change. DWP data shows that the benefits that have the highest average awards in Wales are: IB/ESA, DLA, IS and HB (Table 1, page 76). The average award of these benefits by age varies with some (DLA, IB, HB) tending to be greater for the lowest and/or highest age ranges while other benefits tend to be highest for those in their mid-thirties/early forties (ESA, IS). Given this variation and the lack of data on multiple benefit claiming by age, it is difficult to assess the overall impact of this measure on the incomes of different age groups.

One per cent cap on most working-age benefits, tax credits (excludes disability and carers benefits) and CB

As pensioner benefits are protected from this policy measure, pensioners are the least likely group to be affected. However, a small number of pensioner households will be affected because they are in receipt of a benefit not specifically designed for pensioners, for example, CTC, if they are responsible for a child.

UC

Impact on household income

DWP (2012e) estimate that where the head of the household is over 50, the household is more likely to see a decrease in their entitlement (of £27 per month on average). This is a reflection of the policy change that will include households with one partner over and one partner under SPA within UC. These households will see a reduction in their entitlement as they will not be entitled to the greater allowances available within Pension Credit. However, this change will only apply to new claims and will therefore not affect couples that are existing Pension Credit claimants. The rationale behind the change relates to ensuring that people supported through the benefit system are subject to appropriate work-related conditionality.

Where the head of the household is under 25, the average change in entitlement is an increase of £20 per month. DWP attribute this to the combination of two factors. First, increases in entitlement for those in work that are newly entitled to benefits. For example, claimants under 25 who are in work, childless and not disabled, are currently unable to claim WTC and are therefore likely to benefit from the removal of this exclusion within UC. Second, the simplification of rates for the under 25s – the current system of rates for young people is very complex. Age-related benefit rates will continue within UC (e.g. different rates for young people aged under 25 compared to those over that age). However, there will be a simpler structure for young people, which will consist of four categories compared with 15 in ESA. DWP (2012e) note that the rates for under 25s will be set below the rates for those over 25 reflecting the fact that in general, young people tend to have lower living costs (as a result of many living at home with their family) and lower wages. DWP expect that this

will reinforce the increased work incentives for this age group under UC (see below).

Impact on poverty

As a result of the expected increase in take-up and higher average entitlements, DWP estimate that the UC policy (announced prior to the Autumn Statement 2012) will reduce poverty in GB by:

- around 150,000 individuals³⁶ in households where the head of the household is aged below 25
- around 700,000 individuals where the head is aged between 25 and 49
- around 50,000 individuals where the head is aged over 50.

However, this analysis pre-dates the Autumn Statement 2012 announcement that UC will be less generous than previously assumed. Therefore, the reduction in poverty will be less than DWP initially estimated. However, DWP's revised impact assessment for UC (published in December 2012) does not include quantification of the impacts of the policy on poverty by equality group.

Impact on work incentives

Work incentives: those aged between 55 and the SPA see a greater strengthening of the incentive to be in paid work from UC than younger people (Table 47, page 100). This is partly because very few of those aged 55 or over have dependent children and they are far more likely to have non-working partners than younger people (not least because their partner may have retired), and so they tend to fall into groups that see an increased incentive to be in paid work. Also, UC particularly strengthens the incentive for those aged 55 or over to be in work because for those with partners over the female SPA, both partners rather than one will need to have passed that age for the couple to qualify for the greater out-of-work support provided by Pension Credit once UC has been introduced. Those aged 55 or over who are in work also see an improvement in the incentive to increase their earnings, although this improvement is greater for those aged 25–54. However, those under 25 and in work see a weakened incentive to increase their earnings (Table 48, page 101). This is because UC will extend in-work entitlements, and therefore means-testing of those entitlements, to them for the first time (currently under 25s are excluded altogether from eligibility to WTC unless they have children).

Conditionality

The policy change that will include households with one partner over and one partner under pension age within UC (for new claims only) will directly affect older couples and will mean that people in such households that are under SPA will have to meet the appropriate level of work-related conditionality. Conversely, it is currently the case that people under pension age in such

³⁶ This relates to individuals and so includes both children and adults.

couples are supported through Pension Credit without being subject to the appropriate work-related conditionality.

Online access

Research by Whitfield et al. (2010) has identified that age is an important factor in determining digital exclusion.

Survey evidence also suggests that older people may find it harder to take up UC than the current legacy benefits. As most UC claims and notifications are to be dealt with online, this could disadvantage older people.

For example, National Survey for Wales (2013b) data shows that 76 per cent of people aged 18 or over use the internet at home, work or elsewhere; however, this varies by age with a greater proportion of people under 45 using the internet (95 per cent) than those aged 45–64 (79 per cent).

DWP (2012e) note that they will aim to mitigate any such disadvantages for older people by ensuring improved internet access for this group and providing appropriate signposting to alternative off-line channels (e.g. telephony and high street services) if required.

Household benefit cap

DWP (2012a) analysis suggests that around 80 per cent of claimants affected by the cap in GB will be aged 25–44. In comparison, 39 per cent of the working-age population in Wales are aged 25–44, a much lower proportion, meaning that this group is likely to be disproportionately affected by this measure. The majority of the remaining 20 per cent that are affected are likely to be 45 or over (as those under 25 tend to receive less benefit and are less likely to have children).

As the cap only applies to working-age benefits, it will not impact on single people or couples who have both reached the qualifying age for Pension Credit. HMT (2010) analysis also notes that in HB, the cap will not apply to most couples where one partner has reached the qualifying age for Pension Credit.

DLA, PIP and CA

Reforms to DLA initially focus on working-age recipients (16–64); although recipients of PIP will be able to receive the benefit past age 65 if they continue to fulfil the entitlement conditions. Fifty-seven per cent of those in receipt of DLA (in August 2012) in Wales are of working-age (Table 12, page 82) – a smaller proportion than in the population as a whole in Wales (63 per cent). Over half of working-age DLA claimants in Wales are aged 50–64 compared to 31 per cent in the working-age population as a whole. Therefore, this group will be disproportionately affected. Only 8 per cent of the DLA caseload is under 16 while 35 per cent is 65 and over. Compared to the population as a whole in Wales, younger DLA claimants are under-represented and older DLA claimants are over-represented.

In terms of the knock-on effects of this policy, given the demographic profile of the CA caseload in Wales, most of those affected are likely to be aged 35–64, with around three-quarters of those receiving payments falling into this age band. DWP offer two explanations for this high proportion.

- The most common caring relationship outside institutions is children caring for their parents.
- Due to overlapping benefit rules, most of those receiving CA payments are under SPA (as one cannot be in receipt of State Pension and CA).

Time-limiting contributory ESA to one year for those in the WRAG

Table 22 (page 86) shows that around half of those claimants affected by this policy (i.e. those in the WRAG claiming contributory based ESA only or both contributory and income-related ESA) are aged 50–64. Thirty-one per cent of the working-age population in Wales fall within this age range. This suggests that there will be a disproportionate impact on this age group compared to younger age groups.

Analysis by DWP (2011a) also shows that 48 per cent of older recipients (50 or over) will not be eligible for income-related ESA (due to having a working partner or capital over £16,000) and will therefore see a greater loss of income (£39 per week on average). This is a higher proportion than those aged 30–49 (30 per cent) or under 30 (19 per cent) who are estimated to incur a lower average loss of £32 per week.

Abolition of concessionary ESA ‘youth’ NI qualification conditions

As this measure affects new claimants to ESA ‘youth’, all of those that are affected will initially be aged under 25 as claimants must be under this age at the point of their claim. However, claimants can continue receiving the benefit beyond the age of 25. As expected, DWP data shows that the majority (60 per cent) of IB ‘youth’ claimants in GB in May 2010 were under 25 years old. Although this measure will have a disproportionate impact on young disabled people, around 90 per cent of those affected will become entitled to income-related ESA at the same or a lower rate.

Changes to CB

HMRC analysis suggests that tapering CB away from families containing someone earning more than £50,000 would affect the 51 to 65 age group more than other age groups because they are generally more likely to be higher earners with children.

CTS (2013–14)

DWP data for February 2013 shows that in GB people aged 65-plus are the biggest group of recipients (around 37 per cent) compared to the proportion of recipients in the following age ranges: under 25 (5 per cent), 25–34

(13 per cent), 35–44 (16 per cent), 45–49 (8 per cent), 50–54 (7 per cent), 55–59 (6 per cent), 60–64 (7 per cent) (Table 40, page 94). Comparing this data with a breakdown of the population of GB by age range shows that the percentage of 16 to 24-year-olds claiming CTB is lower than the proportion in the population (Table 41, page 95). This is not unexpected as we would expect a lower number of 16 to 24-year-olds to be head of households than the older age groups. However, this breakdown also shows that the proportion of CTB claimants aged 65-plus is higher than their proportion in the population, i.e. they are disproportionately represented among CTB claimants. This age group is therefore more likely to benefit from the Welsh Government's decision to provide £22 million additional funding in 2013–14 to support local authorities in providing all eligible claimants with their full entitlement.

With regards to total CTB spending in Wales (Table 42, page 96), the split between working-age households and households containing someone above the SPA was 60 per cent and 40 per cent respectively in 2012–13. Around one-quarter of CTB goes to single pensioners living alone but pensioners are much less likely to take up their entitlements. The Welsh Government is also continuing to provide a Pensioner Grant (of around £4m) in 2013–14 to give additional support to pensioners in paying their council tax. Over 43,000 pensioners in receipt of a partial reduction in their council tax liability under the Council Tax Reduction Scheme (CTRS) will receive an average award under the Pensioner Grant scheme of between £90 and £100 in 2013–14. Pensioners who are over the age of 60 at the beginning of July, and in receipt of partial CTRS, will be eligible.

Over two-thirds of CTB spending in Wales went to households without children in 2012–13 (households with children: 31 per cent of expenditure) (Adam and Browne, 2012).

SF/DAF

From April to June 2013, 7,759 full applications were made to the DAF scheme in Wales. Only one-third of claimants to the Fund have provided information on their age. Of those that have, 23 per cent were 16–24 years old, 43 per cent were 25–39 years old, 25 per cent were 40–54 years old, 7 per cent were 55–69 years old and 1 per cent were 70-plus years old. On this basis, there are higher proportions of those aged 16–24 and 25–39 submitting claims for DAF support compared to in the 16-plus population as a whole in Wales (15 per cent and 21 per cent respectively). Accordingly, there are lower proportions of older age groups submitting claims for DAF support compared to in the 16-plus population as a whole (55–69: 22 per cent, 70-plus: 16 per cent) (Mid-year population estimates 2012, Office for National Statistics, ONS). However, we do not know whether these respondents are representative of the overall DAF claimants.

The Welsh Government will continue to monitor the spread of applications and awards across age ranges (and other protected characteristics) under the new system.

ILF

Table 46 (page 98) illustrates ILF service users in Wales by age. This shows that the smallest groups of users are the youngest (16–25 years old: 7 per cent) and oldest (56–64 years old: 13 per cent; 65-plus years old: 8 per cent) age ranges. Furthermore, compared to the proportions of these age groups in the working-age population (16 per cent, 14 per cent and 23 per cent respectively), these groups are under-represented in the ILF caseload. Correspondingly, there is a relatively greater concentration of users aged 26–55 in the ILF caseload compared to the working-age population (71 per cent versus 47 per cent respectively). Therefore, changes to this Fund are more likely to affect those aged 26–55 than those aged 16–25 and 56-plus.

Removing IS eligibility for lone parents based on the age of their youngest child

DWP data shows that lone parent IS claimants with young children are likely to be young themselves (Table 28, page 89). For example, in GB, half of lone parent IS claimants with a youngest child aged 5 or 6 are aged 25–34. Therefore, this age group of lone parents will be particularly affected by the latest extension of LPO.

However, DWP (2011f) note that younger lone parents are likely to have more recent experience of the labour market in comparison to older lone parents. The latter group tend to be in receipt of benefits for a longer period of time and hence may suffer from associated lower levels of confidence, which may inhibit a move into employment. This suggests that, although younger lone parents are likely to be disproportionately affected by the policy, in general they will find it easier to join the labour market than older groups.

Lone parents under the age of 18 with a youngest child aged 5 or over (of whom there are very few) are exempt from IS LPO and will therefore retain IS eligibility.

Size criteria for people renting in the SRS

In line with the age breakdown of all HB claimants in the SRS, DWP estimate (2012d) that younger HB claimants (aged under 25) are less likely to be affected by the size criteria that has recently been introduced in this sector (Tables 29 and 32, pages 89 and 91). DWP attribute this to two factors. First, younger claimants are more likely to be living in a household that contains children who contribute to the size of the accommodation that is deemed reasonable for the claimant to occupy. Second, they are more likely to have been recently placed in social housing meaning that there is less likelihood that their initial and current housing needs will differ. It follows that older claimants³⁷ will be disproportionately affected by this reform often because their grown-up children have left home.

³⁷ Below the qualifying age for State Pension Credit as this measure does not apply to those over this age.

The estimated average weekly HB reduction per affected claimant (at a GB level) increases with age. Those aged under 25 are expected to lose £12 per week on average while those aged 55 and up to the qualifying age for State Pension Credit are expected to lose £16 per week on average (DWP, 2012d).

DWP have targeted this policy at working-age claimants given that they are considered to find it easier to take-up employment and fund any resulting shortfall from the policy change.

HB: CPI up-rating of LHA

This measure potentially affects all HB claimants in the PRS whose claims are assessed according to the LHA rules. Therefore, DWP (2011g) expect that the breakdown of claimants by age that are affected by this measure will be consistent with the breakdown of all HB PRS claimants. DWP statistics for February 2013 (Table 35, page 92) show that nearly half (49 per cent) of HB claimants in the PRS in Wales are aged 25–44 compared to 25 per cent of the population as a whole in Wales. Therefore, people in this age group are more likely to be affected than other groups. Furthermore, claimants within this age range receive a higher weekly HB award on average compared to other age groups. They are therefore more likely to incur a greater average income loss as a result of restricting the up-rating of LHA rates to the CPI (rather than rent levels in the local market). It is expected that similar impacts by age will also occur as a result of the 1 per cent cap that will be placed on LHA rates in 2014–15 and 2015–16.

Increasing the SAR age threshold to 35

This policy will affect younger adults aged 25–34. DWP (2011i) estimate that two-thirds of affected claimants were assessed at the one bedroom rate prior to this policy and would therefore incur an income loss. However, DWP also note that the remaining third of those that would have potentially been affected by this policy were already living in shared accommodation thereby reducing the impact on such claimants. FRS data (2008/09) also shows that it is quite common for single people aged 25–34 without dependent children to live in shared accommodation³⁸ or in their parents' house.

Move from IB to ESA

In November 2012, there were 77,040 people in Wales claiming IB/SDA. Eighty-six per cent were aged 35–64 compared to 39 per cent of the population as a whole in Wales. Given the relative proportions of IB claimants compared to the population as a whole, it is more likely that the reassessment process (via the WCA) will affect claimants aged 35–64 compared to younger (under 25) and older (65-plus) groups.

³⁸ For some categories, the FRS definition of shared accommodation differs from the LHA definition. Nevertheless, the survey data provides a useful proxy of accommodation arrangements.

Between October 2008 and November 2012, 103,700 WCAs were completed in Wales (under 18: 1 per cent; 18–24: 13 per cent; 25–34: 17 per cent; 35–44: 23 per cent; 45–49: 13 per cent; 50–54: 13 per cent; and 55-plus: 20 per cent). In addition, 66,100 claims were closed before the initial functional assessment was completed and 10,800 were in progress. Of those that were completed, 41 per cent (or 42,900) were entitled to ESA and placed in either the WRAG (27,900) or the Support Group (15,000). However, overall 59 per cent (or 60,800) were found fit for work (and therefore no longer eligible for ESA). The proportion found fit for work for most age groups is in line with this overall proportion. However, those under 18 were less likely to be found fit for work with 31 per cent having this assessment outcome.

In November 2012, there were 90,880 people in Wales claiming ESA. Around three-quarters were aged 35–64. Although this is not significantly different from the IB caseload proportion, a greater proportion of younger people (and a reduced proportion of older people) are claiming ESA compared to IB.

Cumulative impact of the welfare reforms

Income

Pensioners are largely unaffected by the welfare cuts and the introduction of UC (which affects households with working-age people). For example, in Wales it is estimated that single pensioners will see a fall in income of 0.3 per cent and couple pensioners will see a rise in income of 0.3 per cent as a result of the UK government's welfare reforms announced up until December 2012 (Adam and Phillips, 2013). This compares favourably to the average loss of 1.4 per cent for the population as a whole. There is currently no analysis of the aggregate impact of the welfare reforms on the incomes of other age groups.

Work incentives

Those aged between 55 and the SPA see a greater strengthening of the incentive to be in paid work from both UC and the other welfare reforms than younger people (Table 47, page 100). This is partly because very few of those aged 55 or over have dependent children and they are far more likely to have non-working partners than younger people (not least because their partner may have retired), and so they tend to fall into groups that see an increased incentive to be in paid work. Also, UC particularly strengthens the incentive for those aged 55 or over to be in work because for those with partners over the female SPA, both partners rather than one will need to have passed that age for the couple to qualify for the greater out-of-work support provided by Pension Credit once UC has been introduced. It is also worth noting that people making employment decisions around retirement age respond much more to financial incentives than younger people (Adam and Phillips, 2013). Those aged 55 or over who are in work also see an improvement in the incentive to increase their earnings, although this improvement is greater for those aged 25–54. However, those under 25 and in work see a weakened incentive to increase their earnings (Table 48, page 101). This is because UC will extend in-work entitlements and therefore means-testing of those entitlements to them for the first time (as

currently under 25s are excluded altogether from eligibility to WTC unless they have children).

Race and ethnicity³⁹

Key points

- The following reforms are expected to have a disproportionate impact on ethnic minority claimants: household benefit cap; the extension of LPO; and the change to the hours eligibility rules for WTC. This is because of the characteristics of these groups (e.g. family size, hours worked, etc.).
- Some of the reforms are also more likely to adversely affect white recipients. These include those related to DLA and IB/ESA as well as the introduction of the size criteria for HB claimants in the SRS.
- On average, UC is expected to result in a significantly higher income gain for households with an adult of ethnic minority background compared to all households.
- On average, the welfare reforms will strengthen the incentive for white people to be in work, and to the same extent as that for the population as a whole. Conversely, the incentive for non-white people to be in work is expected to weaken⁴⁰. Most importantly, this is because non-white people are more likely to have a greater number of dependent children than white people, which means they are more likely to see their out-of-work income rise as a result of increases in CTC. This has the effect of weakening the incentive to be in work.
- For those in work, on average, both white and non-white groups are expected to see an improvement in the incentive to increase their earnings following the implementation of the welfare reforms. However, the average improvement for non-white groups will likely be less than that for the white group. Again, this is likely to be due to other characteristics such as earnings levels.
- There is little difference between people from ethnic minority populations and the total UK population in the take-up of information technologies. However, there may be some cases where language issues may cause problems in accessing the UC system online while others may prefer face-to-face contact.

³⁹ Various terminologies are used throughout this section to describe particular ethnic groups (e.g. white, non-white, BME, etc.). The terminology used aligns with that of the data source that it was extracted from.

⁴⁰ It is important to note that the sample sizes for non-white people that were used for the research on the impact of the welfare reforms on work incentives (Adam and Phillips, 2013) are small (e.g. 110 non-white people in some cases) thereby affecting its robustness and making it difficult to do too much disaggregation to try to explain the differences in results.

Switch to indexing almost all benefits and tax credits to the CPI rather than the RPI

APS data for Wales shows that 97 per cent of people aged 16–64 claiming state benefits/tax credits in the year ending March 2011 were white, which is in line with the proportion in the working-age population as a whole. This suggests that white and non-white claimants are equally likely to be affected.

As well as benefit eligibility/receipt, the extent of income losses by ethnicity will depend on the value of benefit awards received. DWP data shows that the average weekly amount of ESA and JSA in Wales is higher for some non-white groups (mixed, Asian or Asian British, for example) than those from a white background (Table 1, page 76). Therefore, this suggests that these ethnic minority groups may incur a greater cash loss on average. However, such impacts will also depend on the extent of multiple benefit claiming by ethnicity. Unfortunately, there is a lack of data available on this. Although generally, ethnic minority groups tend to have higher rates of worklessness than the majority of the population (National Audit Office, 2008) and would therefore be more likely to be entitled to out-of-work benefits, research does suggest that some ethnic minority groups have a much lower probability of claiming benefits and tax credits (Salway, 2007; Ipsos Mori, 2010). This will reduce the likelihood of such groups being affected by the indexation change.

Given the above conflicting information, which implies impacts in opposite directions, it is difficult to assess the overall impact of the indexation change by ethnicity.

One per cent cap on most working-age benefits, tax credits (excludes disability and carers benefits) and CB

Analysis by ethnicity is not included in DWP's Impact Assessment of this policy change (2013a, 2013b).

UC

Impact on household income

DWP (2012e) analysis (at a GB level) suggests that, overall, ethnic minority groups will tend to benefit more from the move to UC compared to the general population. This is attributed to the fact that they are proportionally more likely to be both in couples and in lower-paid employment, which are the groups that benefit most from changes in entitlement. For example, around 22 per cent of households with an adult of ethnic minority background have positive annual household gross earnings below £10,000 a year compared to 16 per cent of households with adults of only white origin (DWP, 2011a). Overall, the average change in income for households with an adult of ethnic minority background is a gain of £51 per month, significantly higher than the average gain for all households (£16 per month).

Despite the overall average increase in entitlement, there will be ‘winners’ and ‘losers’. Households with an adult of ethnic minority background are more likely to see an increase in their entitlement compared to households with only white adults. In addition, of those households that see an increase, those with an adult of ethnic minority background see a slightly higher average change. However, while households with an adult of ethnic minority background are less likely to see a reduction in their entitlement, those who do lose see a slightly greater reduction compared to households with only white adults (DWP, 2011a).

Impact on poverty

Given the combined impact of a predicted increase in take-up and higher average entitlement, DWP (2011a) estimate that this will reduce poverty for households with at least one adult from an ethnic minority background by 350,000 individuals (200,000 adults and 150,000 children) in GB, which is a larger proportional reduction in poverty than for households with only white adults. However, this analysis pre-dates the Autumn Statement 2012 announcement that UC will be less generous than previously assumed. Therefore, the reduction in poverty will be less than DWP initially estimated. DWP’s revised impact assessment for UC (published in December 2012) does not include quantification of the impacts of the policy on poverty by equality group.

Impact of UC on work incentives⁴¹

Adam and Phillips (2013) estimate that, on average, UC in isolation will strengthen the incentive for white and non-white groups to be in work. However, the improvement for white groups (which is in line with the average for the population as a whole) is anticipated to be greater than that for non-white groups (Table 47, page 100).

For those in work, on average, again both white and non-white groups are expected to see an improvement in the incentive to increase their earnings following the implementation of UC. However, unlike the case for out-of-work claimants, non-white in-work claimants are estimated to see a greater average improvement in the incentive to increase earnings compared to white in-work claimants (Table 48, page 101).

It is worth noting that these results differ to those for the cumulative impact of the welfare reforms (see page 68).

Take-up rates

Research by Salway et al. (2007) suggests that there are significant barriers to claiming current ill-health-related benefits, with even greater obstacles to claiming among the ethnic minority groups that were considered (Pakistani,

⁴¹ It is important to note that the sample sizes for non-white people that were used for the research on the impact of the welfare reforms on work incentives (Adam and Phillips, 2013) are small (e.g. 110 non-white people in some cases) thereby affecting its robustness and making it difficult to do too much disaggregation to try to explain the differences in results.

Bangladeshi and Black African). Among other factors, a lack of understanding of how government systems work (e.g. complex and changing claims processes), limited access to information and specialist support to negotiate the complex system, limited English language skills and low levels of literacy appeared to be significant obstacles for some minority ethnic groups (Salway, 2007; Ipsos Mori, 2010). There appears to be an inverse relationship between complexity and take-up as such difficulties appear to have led to lower benefit and tax credit take-up rates among certain ethnic minority groups. For example, analyses by Salway et al. (2007) show that compared with white British respondents with comparable health and socioeconomic status, those of Pakistani, Bangladeshi and Black African origin had much lower probabilities of receiving DLA. Ipsos Mori (2010) also note that HMRC and other data show that take-up of a number of government services (including tax credits) is lower among certain ethnic minority groups.

One of the aims of UC is to create a single, integrated benefit for most major income-related working-age benefits where awards include all the elements that a household is entitled to (this is likely to reduce the problem under the current system where people may claim one benefit but not be aware they are also entitled to claims others). Therefore, people from ethnic minority (and other) groups currently experiencing difficulties navigating the current benefits system could gain from the greater simplicity and automation that is aimed for under UC.

Conditionality

Appropriate work-focused requirements will be extended to a wider range of claimants under UC. DWP (2012e) estimate that around 15 per cent of the partners who will be affected by these revised conditionality requirements are from an ethnic minority background. DWP (2012e) expect that the extension of these work-related expectations will help to narrow the employment gap⁴² between different ethnic groups and that any requirements will always take into account support, including particular language needs.

Online access

Whitfield et al. (2010) find that there is little difference between people from ethnic minority populations and the total UK population in the take-up of information technologies. However, there will be some cases where language issues may cause problems in accessing digital services while others may prefer face-to-face contact. DWP (2012) note that they will continue to offer translation services (e.g. thebigword) to customers that have language barriers.

Household benefit cap

In April 2013, DWP (2013e) updated their estimates of the number of households potentially impacted by the benefit cap to reflect policy and

⁴² 16–64 employment rates: white 70 per cent, non-white 64 per cent (Source: APS Wales, 2011).

caseload changes and also methodological improvements. DWP now estimate that the number of households that will be impacted in Wales is around 1,100 with an average reduction in benefit of £68⁴³.

At a GB level, DWP (2012a) estimate that: around 52 per cent of affected households will have four or more children; around 38 per cent will have between one and three children; and, around 11 per cent will have no children.

Households with large families are more prevalent in some ethnic minorities, and are therefore more likely to be affected by this measure. For example, the ONS (2005) finds that on average Asian households are larger than households of any other ethnic group. Households headed by a Bangladeshi person were the largest of all with an average size of 4.5 people, followed by Pakistani households (4.1 people) and Indian households (3.3 people). The smallest households were found among the white Irish (average size 2.1 people). Black Caribbean and white British households were the next smallest, both with an average size of 2.3 people. These groups have an older age structure than other ethnic groups, and contain a higher proportion of one-person households.

DWP (2012a) estimate that 40 per cent of the households that are affected by the cap (at a GB level) will contain somebody who is of ethnic minority background. The equivalent percentage for Wales is likely to be lower given that a smaller proportion of the working-age population is of a non-white background (4 per cent versus 11 per cent).

DLA, PIP and CA

The UK's benefit payment system does not currently record the nationality or ethnicity of DLA or CA claimants. However, data from the FRS (2007–2008, 2008–2009 and 2009–10) provides a useful indication. This shows that 93 per cent of DLA/CA recipients in the UK are from a white background. This is a slightly larger proportion than in the population as a whole (91 per cent) suggesting that this group may be more likely to be affected by the introduction of PIP.

Time-limiting contributory ESA to one year for those in the WRAG

Table 21 (page 86) shows that 85 per cent of recipients in the WRAG claiming contributory only ESA or both income and contributory ESA in Wales are white, which is higher than that for all ESA claimants (75 per cent). However, due to the large number of unknowns, it is useful to look at other relevant data sources. FRS data (2006/07, 2007/08, 2008/09) for GB shows that 7 per cent of IB claimants are from ethnic minorities, a smaller proportion than in the working-age population as a whole (11 per cent). This suggests that white claimants are more likely to be affected than people in other ethnic groups (except those of mixed ethnicity).

⁴³ Wales estimate received via e-mail from DWP.

Indicative analysis⁴⁴ by DWP (2011a) also shows that a higher proportion of white recipients (40 per cent versus 22 per cent for ethnic minorities) will not be eligible for income-related ESA (due to having a working partner or capital over £16,000). On average, white recipients will incur a loss of income of £36 per week compared to an average loss of £32 per week for ethnic minority groups.

Abolition of concessionary ESA ‘youth’ NI qualification conditions

Although the abolition of ESA ‘youth’ provisions will apply equally across all races, there is a risk that white recipients will be more likely to be affected given that survey evidence suggests that there is a higher proportion of white people on IB (93 per cent) than in the working-age population as a whole (89 per cent)⁴⁵.

Generally, ethnic minority groups have higher rates of worklessness than the majority of the population⁴⁶. However, survey evidence suggests that those from ethnic minority backgrounds (except those of mixed ethnicity) are less likely to claim IB compared to white people (DWP, 2011h). This may help to explain the low proportion of ethnic minority people claiming contributory ESA.

Changes to CB

HMRC have not identified any significant effects on this group as a result of the policy to taper CB away from families containing someone earning more than £50,000.

CTS (2013–14)

Due to the small ethnic minority population in Wales⁴⁷, it is not possible to provide a breakdown of CTB claimants by ethnic group in order to assess which groups may be more likely to benefit from the additional £22 million of CTS provided by the Welsh Government in 2013–14. However, there is a large degree of crossover between CTB and HB recipients. DWP (2013c) data for HB and CTB claimants shows that within Wales 90 per cent of HB customers also receive CTB, 70 per cent of CTB customers receive HB, and 228,850 households in Wales claim both benefits. The DWP in its Equality Impact Assessment of CTB for GB (DWP, 2010) was only able to broadly categorise CTB recipients as ethnic minority people and white.

As a whole, 10 per cent of tenants in receipt of HB are from an ethnic minority background, which is in line with the working-age population as a whole in GB. This percentage varies from 7 per cent of the HB caseload entitled in the ‘one bedroom’ size criterion to 37 per cent among those entitled to ‘five or more

⁴⁴ Note: figures should be treated with caution due to small sample sizes for some groups.

⁴⁵ Data is not published for IB/ESA ‘youth’ customers specifically so the proportion quoted relates to the ethnicity of all of those claiming IB in GB.

⁴⁶ NAO (2008) *Increasing employment rates for ethnic minorities*.

⁴⁷ The Welsh population is 96 per cent white, and 4 per cent non-white. In contrast the figures for England are 86 per cent white and 14 per cent non-white. Source: APS, Jan–Dec 2012.

bedrooms' (i.e. as the size of the house increases the proportion of HB recipients that are from an ethnic group also increases).

DWP (2012f) data also shows that individuals living in households headed by someone from an ethnic minority are more likely to live in low-income households and thus be eligible to receive CTB⁴⁸. This is particularly the case for households headed by someone of Pakistani or Bangladeshi ethnic origin⁴⁹. It is likely that this is because individuals in workless households face very high risks of living in poverty and employment rates vary by ethnicity, with high rates of worklessness among individuals of Pakistani and Bangladeshi origin⁵⁰. However, as mentioned earlier in this section, some ethnic minority groups have a lower probability of taking-up benefits, and so this will reduce the number of CTB claimants from these ethnic backgrounds, and hence those that would benefit from the additional funding in 2013–14.

SF/DAF

From April to June 2013, 7,759 full applications were made to the DAF scheme in Wales. Only one-third of claimants to the Fund have provided information on their ethnic origin. Of those that have, 95 per cent were white: Welsh/English/Scottish/Northern Irish/British, which is in line with the proportion in the 16–64 population as a whole (APS, 2012). However, we do not know whether these respondents are representative of the overall DAF claimants.

The Welsh Government will continue to monitor the spread of applications and awards by ethnicity (and other protected characteristics) under the new system.

ILF

Table 44 (page 97) contains administrative data on the ethnic origin of ILF service users in Wales. Users have the option of choosing whether or not they would like to disclose such information. A large proportion of users (20 per cent) have chosen not to. Of those who have disclosed their ethnic background, 98 per cent of ILF users are white, which is broadly in line with the working-age population as a whole in Wales (white: 96 per cent). This suggests that it would be unlikely that this reform would disproportionately affect any particular ethnic group.

⁴⁸ People living in Black/Asian households are estimated to have the lowest equivalent median incomes. Levels of in-work poverty in Wales are twice as high in Black households, and three times as high in Asian households compared to the incidence observed in white households (13 per cent).

⁴⁹ Percentage of individuals in low-income groups (below 60 per cent of median after housing costs) by ethnicity (UK) in 2010/11: 20 per cent white, 36 per cent mixed, 42 per cent Asian or Asian British (55 per cent Pakistani and Bangladeshi), 41 per cent Black or Black British, 45 per cent Chinese or Other Ethnic Group. Source: DWP (2012f).

⁵⁰ See Table A09 of Labour Market Statistics, March 2012, available at www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-222482 which shows economic activity by ethnic group.

Removing IS eligibility for lone parents based on the age of their youngest child

Household Labour Force Survey data (2010, quarter 2) for GB shows that the majority of lone parents with a youngest child aged 5–6 are white. However, a relatively large proportion (around 17 per cent) have an ethnic minority background (compared to 12 per cent of the working-age population as a whole). Furthermore, the employment rates of ethnic minority and white lone parents with a youngest child aged 5–6 are significantly different (35 per cent versus 58 per cent respectively), suggesting that the former group may find it more difficult to move into work following loss of IS eligibility.

Childcare may also act as a barrier to work for those from an ethnic minority background. For example, some evidence suggests that children's ethnic background is associated with their likelihood of receiving childcare, with school-age children from white British backgrounds being more likely to receive formal childcare than children from South Asian backgrounds (Huskinson et al., 2013). There may also be other risks for some lone parents with English as a second language as they may not be able to understand the detail of the new system and the associated responsibilities (Allmark et al., 2010; Stockley et al., 2010). In addition, language barriers may undermine the chances for some of finding and sustaining employment.

Changes to the hours eligibility rules for WTC

Couple families with one parent in part-time work and one parent not in work will be most affected by the increase in the working hours requirement to qualify for WTC. This means that BME groups will be disproportionately affected because they make up a significant proportion (36 per cent) of such families in GB. This is a greater proportion than the general population who are from an ethnic minority (12 per cent) (HMT, 2010).

Size criteria for people renting in the SRS

DWP (2012d) estimate that BME claimants are less likely to be affected by this reform than white claimants, as they make up a smaller proportion of those affected (10 per cent) compared to the proportion in the working-age SRS HB caseload as a whole (15 per cent). Given that a higher proportion of working-age BME claimants live in households with children and have a larger average family size, larger properties are more likely to be deemed appropriate for the household.

However, the BME households that are affected will see a greater average weekly loss (£19) compared to white claimants (£14). DWP attribute this to the fact that a higher proportion of BME households live in London where average rents are higher than elsewhere in GB.

Given that Wales has a smaller proportion of the working-age population from an ethnic minority background (4 per cent compared to 11 per cent for GB⁵¹) and also lower average rents, the proportion of affected BME households and the average income losses for such households in Wales are likely to be less.

HB: CPI up-rating of LHA

This measure potentially affects all HB claimants in the PRS whose claims are assessed according to the LHA rules. Therefore, DWP (2011g) expect that the breakdown of claimants by ethnicity that are affected by this measure will be consistent with the breakdown of all HB PRS claimants. Unfortunately, a breakdown of the HB caseload in Wales by ethnicity is not published by DWP. However, as part of their Equality Impact Assessment of this measure, DWP have provided this breakdown at a GB level (Table 37, page 93). This shows 87 per cent of those affected by this measure are of a white background, which is in line with the proportion in the PRS HB caseload as a whole. This suggests that there will be no disproportionate impact on the numbers who are from an ethnic minority.

Increasing the SAR age threshold to 35

DWP (2011i) have been unable to provide a breakdown of those affected by ethnicity as this data is not collected by local authorities. However, FRS data (2008/09) on the ethnicity of private renters can be used as proxy of the impacts of this policy.

This shows that 79 per cent of single, childless private renters aged 25–34 are white, which is in line with the proportion of single, childless private renters under 25 (80 per cent) and all private renters (84 per cent) who are white. This suggests that there will be no disproportionate impacts on the numbers affected by ethnicity.

Move from IB to ESA

In November 2012, there were 77,040 people in Wales claiming IB/SDA. DWP does not publish statistics on IB rates broken down by ethnicity.

Between October 2008 and November 2012, 103,700 WCAs were completed in Wales. In addition, 66,100 claims were closed before the initial functional assessment was completed and 10,800 were in progress. Of those that were completed, 41 per cent (or 42,900) were entitled to ESA and placed in either the WRAG (27,900) or the Support Group (15,000). However, 59 per cent (or 60,800) were found fit for work (and therefore no longer eligible for ESA). A breakdown of WCA outcomes for Wales by ethnicity is not available.

In November 2012, there were 90,880 people in Wales claiming ESA. Around three-quarters of these were white. This is less than in the working-age

⁵¹ APS data for Wales (year ending 31 December 2012); Household Labour Force Survey data, 2010, quarter 2.

population as a whole. However, the large proportion of undisclosed/unknown ethnicity data is likely to be skewing this figure. Given this, it is useful to look at other relevant and more complete data sources. FRS data (2006/07, 2007/08, 2008/09) for GB shows that 7 per cent of IB claimants are from ethnic minorities, a smaller proportion than in the working-age population as a whole (11 per cent). Although generally, ethnic minority groups have higher rates of worklessness than the majority of the population, this survey data suggests that those from ethnic minority backgrounds (except those of mixed ethnicity) are less likely to claim IB compared to white people. This suggests that white claimants are more likely to be affected by the changes than people in some of the other ethnic groups.

Cumulative impact of the welfare reforms

Income

No UK Government or other analysis currently available.

Work incentives⁵²

Adam and Phillips (2013) estimate that, on average, the welfare reforms (including UC) will strengthen the incentive for white people to be in work, and to the same extent as that for the population as a whole. Conversely, the incentive for non-white people to be in work is expected to weaken (Table 47, page 100). Most importantly, this is because non-white people are more likely to have a greater number of dependent children than white people, which means they are more likely to see their out-of-work income rise as a result of increases in CTC. This has the effect of weakening the incentive to be in work.

For those in work, on average, both white and non-white groups are expected to see an improvement in the incentive to increase their earnings following the implementation of the welfare reforms analysed. However, the average improvement for the latter group is estimated to be somewhat less than that seen by the former group (Table 48, page 101). Again, this is likely to be due to other characteristics such as earnings levels.

⁵² It is important to note that the sample sizes for non-white people that were used for the research on the impact of the welfare reforms on work incentives (Adam and Phillips, 2013) are small (e.g. 110 non-white people in some cases) thereby affecting its robustness and making it difficult to do too much disaggregation to try to explain the differences in results.

Other protected characteristics

In addition to the equality groups assessed above, current equality legislation also covers transgender, religion, sexual orientation, pregnancy/maternity, marriage and civil partnerships. As DWP does not hold this information on its administration system (with the exception of information on pregnancy and maternity, which is held where it is the primary reason for incapacity), it is not possible to accurately assess the impact of the welfare reforms on these equality groups. However, DWP state in a number of their impact assessments that given their knowledge of the policy designs and customer groups, they do not envisage any adverse effects on any of these grounds.

Conclusions and next steps

Conclusions

This report has assessed the potential impacts of UK Government welfare reforms on those with protected characteristics in Wales. Where available, the cumulative impact of the reforms has been considered. However, due to limited analysis on such impacts and certain protected characteristics, this report has looked in detail at the impacts of each of the reforms in isolation on four protected characteristics (gender, disabled people, age, and race and ethnicity). It has focused on the numbers affected, income losses, poverty, work incentives and employment, work-related requirements and online access.

The benefit system distinguishes between disabled and non-disabled people and younger and older people given that these characteristics generally require different support needs. The same is not true for gender, race and ethnicity. Therefore, the benefit rules do not differ for these groups. However, this analysis shows that some groups may lose more than others from the welfare reforms because of other characteristics such as income, skill levels, qualifications, work status and family structure.

With a few exceptions (e.g. IB/ESA), the benefit and tax credit changes tend to adversely affect more females than males, and females also tend to lose the most/gain the least in terms of the impact on income. Overall, non-working lone parent households, most of whom are female, are among those that incur the largest income losses. However, lone parents are expected to benefit from a significantly increased incentive to work more hours. By contrast, some women in couples (particularly those with children), are more likely to be second earners than men, and so will see a reduced incentive to work given the focus of UC on helping to get the first earner into work. A greater proportion of women will also be affected by the significantly tougher work-search requirements under UC. Furthermore, the single UC household payment may disadvantage more women than men.

Major changes have already been made to disability and sickness benefits with more to come this year. The impacts of such reforms are expected to be more pronounced in Wales than the UK as a whole given the relatively high dependence on these benefits in Wales. Although DWP have put in place some protection for disabled groups via exemptions and increased DHP funding, there will be significant impacts on disabled people and also their carers. However, on average those in receipt of a disability benefit themselves or who have a partner receiving a disability benefit will see a greater improvement in the incentive to be in work than families not in receipt of disability benefits. Incentives will also improve substantially for those who are already in work and in receipt of a disability benefit. However, incentives for those in work with a partner receiving a disability benefit to increase their earnings, on average, will deteriorate.

Overall, pensioners are largely unaffected by the reforms as most apply to working-age benefits. Given that some of the reforms specifically relate to age thresholds (e.g. SAR), they will inevitably have a disproportionate impact on some working-age groups. In addition, other characteristics such as income and internet access/use mean that some reforms will have more of an impact on certain age groups. Although older working-age people are more likely to see an income loss under UC than younger people (who tend to see an income gain), overall the reforms in aggregate will mean that they see a greater strengthening of the incentive to be in paid work. Older working-age people already in work will also see an improvement in the incentive to increase their earnings, although this improvement is greater for those aged 25–54. However, incentives for those under 25 and already in work to increase their earnings will deteriorate.

Some of the welfare reforms, such as the household benefit cap, are likely to have a disproportionate impact on BME claimants because of the characteristics of some of these households (e.g. larger family size among certain ethnic minority groups, hours worked, etc). Language issues may also cause problems for some ethnic minority people accessing the UC system online (e.g. refugees and migrants). Although the reforms will strengthen the incentive for white people to be in work, the incentive for non-white people to be in work is expected to weaken, on average. Again this is because of other characteristics. Non-white people are more likely to have dependent children and be the sole breadwinner in a couple, and so they fall into groups that see a weakening of the incentive to be in work. For those in work, both white and non-white groups are expected to see an improvement in the incentive to increase their earnings, on average. However, the improvement for non-white groups will likely be smaller, again because of other characteristics such as earnings and family circumstances.

The changes that will be implemented are numerous and complex and in some instances offset each other in terms of likely impacts on income and employment incentives. However, it is clear that there are instances where the reforms are likely to lead to a disproportionate impact on some protected characteristics. Given these findings, the Welsh Government will aim to target its policies and support to help mitigate such adverse impacts (where possible). Examples of such policy responses were recently outlined in an Oral Statement on 21 May 2013⁵³.

Next steps

At the time of writing, it is expected that the remainder of the Stage 3 research will consist of the following elements.

- Assess further the impact of the welfare reforms at a local authority level. Expected publication date: January 2014.

⁵³ The Oral Statement provided by the Minister for Communities and Tackling Poverty can be accessed via the following link:
<http://wales.gov.uk/about/cabinet/cabinetstatements/2013/welfarereform/?lang=en>

- Estimate the impact of specific welfare reforms in Wales, e.g. UC, the Work Programme, and the HB reforms. Expected publication date: June 2014 (UC); October 2014 (Work Programme). Timescales for the research on the HB reforms will be considered closer to the time.

Research requirements are considered on an ongoing basis and are therefore subject to change.

Knowledge and Analytical Services
July 2013

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Annex 1: Benefit and tax credit statistics

Table 1: Average weekly amount of benefit – Wales (November 2012)

Benefit scheme	Equality group (where data is available)	Average weekly amount of benefit (£)
ESA	All	93
	Female	91
	Male	94
	White	92
	Mixed	96
	Asian or Asian British	94
	Black or Black British	91
	Chinese or other ethnic group	90
	Prefer not to say	93
	Unknown	95
	Under 18	81
	18–24	89
	25–34	94
	35–44	96
	45–49	95
	50–54	93
	55–59	90
	60-plus	86
	DLA	All
Female		81
Male		79
Under 5		74
5 to under 11		84
11 to under 16		82
16–17		80
18–24		75
25–29		72
30–34		72
35–39		72
40–44		74
45–49		75
50–54		77
55–59		78
60–64		80
65–69		81
70–74		83
75–79		86
80–84		92
85–90	94	
90-plus	90	

Benefit scheme	Equality group (where data is available)	Average weekly amount of benefit (£)
IS	All	81
	Female	80
	Male	83
	Under 18	58
	18–24	69
	25–34	80
	35–44	88
	45–49	87
	50–54	84
	55–59	81
	60-plus	80
JSA	All	68
	Female	66
	Male	69
	Under 18	42
	18–24	59
	25–34	74
	35–44	73
	45–49	71
	50–54	70
	55–59	68
	60-plus	69
	White	68
	Mixed	69
	Asian or Asian British	74
	Black or Black British	70
	Chinese or other ethnic group	72
Prefer not to say	68	
Unknown	65	
IB	All	73
	Female	67
	Male	77
	18–24	78
	25–34	61
	35–44	57
	45–49	67
	50–54	72
	55–59	77
60–64	84	

Benefit scheme	Equality group (where data is available)	Average weekly amount of benefit (£)
CA	All	59
	Female	58
	Male	60
	Under 18	58
	18–24	58
	25–29	59
	30–34	59
	35–39	60
	40–44	60
	45–49	60
	50–54	60
	55–59	59
	60–64	58
	65-plus	28
HB	All	75
	Female	77
	Male	73
	Couple	75
	Under 25	83
	25–34	79
	35–44	79
	45–49	76
	50–54	74
	55–59	73
	60–64	72
65–69	69	
70-plus	69	
CTB	All (GB – Feb 2013)	16
CB	First child (April 2012)	20
	Second and subsequent child	13
WTC	Basic element (2011–12)	37
CTC	Child element (2011–12)	49

Source: DWP Tabulation Tool/Stat Xplore

Benefit claimants: working-age client group

Table 2: Total benefit claimants by age

Age	GB		Wales	
	Number (000s)	Proportion	Number (000s)	Proportion
Under 25	920.5	16%	55.4	16%
25–34	1,072.2	19%	60.4	17%
35–44	1,166.5	20%	65.9	19%
45–54	1,371.4	24%	83.5	24%
55–59	690.6	12%	46.2	13%
60–64	517.0	9%	37.1	11%
Total	5,738.7		348.5	

Source: Nomis, May 2012 data

Table 3: Total benefit claimants by gender

Gender	GB		Wales	
	Number (000s)	Proportion	Number (000s)	Proportion
Male	2,914.0	51%	179.1	51%
Female	2,824.7	49%	169.5	49%
Total	5,738.7		348.5	

Source: Nomis, May 2012 data

Table 4: Total benefit claimants by statistical group

Statistical Group	GB		Wales	
	Number (000s)	Proportion	Number (000s)	Proportion
Job seeker	1,483.8	26%	76.0	22%
ESA and IBs	2,519.2	44%	171.8	49%
Lone parent	577.1	10%	30.2	9%
Carer	486.7	8%	31.0	9%
Others on income related benefit	164.9	3%	8.5	2%
Disabled	429.1	7%	27.1	8%
Bereaved	78.0	1%	4.0	1%
Total	5,738.7		348.5	

Source: Nomis, May 2012 data

Table 5: Benefit claimants* in Wales

		Year ending 31 March 2011 (%)	Year ending 31 December 2012 (%)
Ethnicity**	White	96.9	95.9
	Non-white	3.1	4.1
	Total	100.0	100.0
Disability Status	Disabled	37.9	37.1
	Not disabled***	62.1	62.9
	Total	100.0	100.0

Source: APS data, Wales

Notes

* People aged 16–64.

** Due to changes made to the ethnicity questions in 2011, estimates prior to year ending 31 December 2011 should not be compared with subsequent estimates.

*** Due to changes made to disability questions in 2012, those who did not respond to the question in 2012 have been included in 'Not disabled' for consistency with previous years.

Table 6: Working age* population in Wales

		Year ending 31 March 2011 (%)	Year ending 31 December 2012 (%)
Gender	Female	50.5	50.5
	Male	49.5	49.5
	Total	100.0	100.0
Ethnicity²	White	96.2	95.6
	Non-white	3.8	4.4
	Total	100.0	100.0
Disability Status	Disabled	25.1	24.2
	Not disabled ³	74.9	75.8
	Total	100.0	100.0
Age	16–24	19.5	19.1
	25–34	18.0	19.2
	35–44	20.3	19.4
	45–54	21.7	22.2
	55–64	20.5	20.1
	Total	100.0	100.0

Source: APS data, Wales

Notes

* People aged 16–64.

** Due to changes made to the ethnicity questions in 2011, estimates prior to year ending 31 December 2011 should not be compared with subsequent estimates.

*** Due to changes made to disability questions in 2012, those who did not respond to the question in 2012 have been included in 'Not disabled' for consistency with previous years.

DLA and CA

Table 7: DLA working-age recipients by gender – Wales

Benefit	Men (000s)	Women (000s)	Proportion men	Proportion women
DLA	67.0	72.3	48%	52%
Total	139.3		100%	

Source: Nomis, May 2012 data

Table 8: DLA working-age recipients by gender – GB

Benefit	Men (000s)	Women (000s)	Proportion men	Proportion women
DLA	990.2	1,037.6	49%	51%
Total	2,027.8		100%	

Source: Nomis, May 2012 data

Table 9: CA caseload in receipt of payment by gender (all clients– Wales)

Benefit	Men (000s)	Women (000s)	Total
CA (those receiving payment)	11.6 (30%)	27.1 (70%)	38.7 (100%)

Source: Nomis – November 2012 data

Table 10: CA caseload in receipt of payment by gender (all clients) – GB

Benefit	Men (000s)	Women (000s)	Total
CA (those receiving payment)	171.0 (28%)	450.6 (72%)	621.6 100%

Source: Nomis – November 2012 data

Table 11: DLA working-age recipients by disabling condition – Wales

Condition	Total	Proportion
Arthritis	17,820	14%
Spondylosis	3,510	3%
Back pain – other/precise diagnosis not specified	8,920	7%
Disease of the muscles, bones or joints	8,510	7%
Trauma to limbs	2,830	2%
Blindness	2,500	2%
Deafness	1,380	1%
Heart disease	3,280	3%
Chest disease	2,440	2%
Asthma	1,340	1%
Cerebrovascular disease	3,200	3%
Peripheral vascular disease	710	1%
Epilepsy	3,680	3%
Neurological diseases	4,870	4%
Multiple sclerosis	2,390	2%

Condition	Total	Proportion
Chronic fatigue syndromes	1,730	1%
Diabetes mellitus	1,620	1%
Major trauma other than traumatic paraplegia/tetraplegia	1,120	1%
Learning difficulties	13,090	10%
Psychosis	13,340	11%
Psychoneurosis	11,640	9%
Personality disorder	760	1%
Behavioural disorder	1,170	1%
Alcohol and drug abuse	1,110	1%
Hyperkinetic syndromes	1,270	1%
Renal disorders	650	1%
Malignant disease	2,190	2%
Severely mentally impaired	870	1%
Terminally ill	1,140	1%
Unknown/transfer from AA	2,330	2%

Source: Nomis, May 2012 data

Table 12: Disability Living Allowance recipients by age – Wales

Age	Number of recipients (000s)	Percentage of recipients
Children (under 16)	19.5	8%
Working age (16–64)	139.2	57%
Pensioner (65-plus)	87.3	35%
Total	246.0	100%

Source: Nomis, May 2012 data

Table 13: CA in payment by gender and age (all clients) – Wales

Age band	Male	Female	Total
Aged under 18	40	60	100
Aged 18–24	710	1,220	1,920
Aged 25–29	590	1,970	2,570
Aged 30–34	720	2,980	3,700
Aged 35–39	890	3,370	4,270
Aged 40–44	1,270	4,080	5,350
Aged 45–49	1,670	4,020	5,690
Aged 50–54	1,690	3,670	5,370
Aged 55–59	1,760	3,670	5,430
Aged 60–64	2,120	1,240	3,360
Aged 65-plus	130	760	890
Total	11,590	27,060	38,650

Source: Nomis – November 2012 data. These figures are nil or negligible.

Table 14: Proportion of DLA recipients by ethnicity (UK)

Ethnicity	16–64 DLA recipients	All UK adults
White	93%	91%
Mixed	1%	1%
Indian	2%	2%
Pakistani and Bangladeshi	1%	2%
Black or Black British	2%	2%
Other ethnic groups (inc. Chinese and Other Asian)	1%	2%

Source: FRS 2007–2008, 2008–2009 and 2009–2010 (as referenced in DWP 2012c).

Note: percentages have been rounded to nearest percentage point. A three-year average has been used due to small sample sizes.

Table 15: Proportion of CA recipients by ethnicity (UK)

Ethnicity	CA recipients
White	93%
Ethnic minority groups	7%

Source: FRS 2007–2008, 2008–2009 and 2009–2010 (as referenced in DWP 2012c).

Note: percentages have been rounded to nearest percentage point. A three-year average has been used due to small sample sizes.

Move from IB to ESA

Table 16: IB/SDA and ESA claimants by gender – Wales

Gender	People claiming IB (000s)	People claiming ESA (000s)
Male	41.5 (54%)	48.5 (53%)
Female	35.6 (46%)	42.4 (47%)
Total	77.0 (100%)	90.9 (100%)

Source: Nomis, November 2012 data

Table 17: IB/SDA and ESA claimants by age – Wales

Age	People claiming IB (000s)	People claiming ESA (000s)
Aged 16–17	~	~
Aged 18–24	1.3 (2%)	8.7 (10%)
Aged 25–34	6.9 (9%)	13.9 (15%)
Aged 35–44	12.4 (16%)	19.2 (21%)
Aged 45–49	10.0 (13%)	13.0 (14%)
Aged 50–54	12.2 (16%)	13.8 (15%)
Aged 55–59	15.3 (20%)	14.7 (16%)
Aged 60–64	16.5 (21%)	7.2 ⁵⁴ (8%)
Aged 65-plus	2.4 (3%)	
Total	77.0 (100%)	90.9 (100%)

Source: Nomis, November 2012 data

⁵⁴ Over 60

Table 18: IB/SDA and ESA claimants by medical condition – Wales

Medical condition	People claiming IB	People claiming ESA
Certain infectious parasitic diseases	410 (1%)	640 (~)
Neoplasms	700 (1%)	2,160 (2%)
Diseases of the blood and blood-forming organs and certain diseases involving the immune mechanism	110 (~)	180 (~)
Endocrine, nutritional and metabolic diseases	1,110 (1%)	1,180 (1%)
Mental and behavioural disorders	30,260 (39%)	40,950 (45%)
Diseases of the nervous system	5,400 (7%)	4,270 (5%)
Diseases of the eye and adnexa	650 (1%)	450 (1%)
Diseases of the ear and mastoid process	420 (1%)	290 (~)
Diseases of the circulatory system	3,810 (5%)	3,590 (4%)
Diseases of the respiratory system	1,800 (2%)	1,890 (2%)
Diseases of the digestive system	1,080 (1%)	1,490 (2%)
Diseases of the skin and subcutaneous system	490 (1%)	560 (1%)
Diseases of the musculoskeletal system and connective tissue	14,440 (19%)	14,270 (16%)
Diseases of the genitourinary system	480 (1%)	680 (1%)
Pregnancy, childbirth and the puerperium	40 (~)	250 (~)
Certain conditions originating in the perinatal period	~	~
Congenital malformations, deformations and chromosomal abnormalities	1,290 (2%)	320 (~)
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	9,900 (12%)	10,590 (12%)
Injury, poisoning and certain other consequences of external causes	3,840 (5%)	6,150 (7%)

Medical condition	People claiming IB	People claiming ESA
Factors influencing health status and contact with health services	820 (1%)	940 (1%)
Claimants without any diagnosis	~	~
Total	77,040 (100%)	90,880 (100%)

Source: Nomis, November 2012 data

Table 19: ESA claimants by ethnicity – Wales (IB caseload data by ethnicity is not published)

Ethnic group	Total
White	68,410 (75.3%)
Mixed	350 (0.4%)
Asian	520 (0.6%)
Black	340 (0.4%)
Chinese or other ethnic group	420 (0.5%)
Prefer not to say	5,400 (6%)
Unknown	15,430 (17%)
Total	90,880 (100%)

Source: Nomis, November 2012 data

Time-limiting contributory ESA

Table 20: ESA WRAG contributory caseload by gender – Wales

Gender	ESA WRAG contributory only		ESA WRAG both contributory and income-related	
	Caseload	Percentage	Caseload	Percentage
Female	4,000	47%	520	36%
Male	4,580	53%	940	64%
Total	8,580		1,460	

Source: Nomis, February 2012 data

Table 21: ESA WRAG contributory caseload by ethnicity – Wales

Ethnic group	Contributions-based only	Both income and contributions-based	Total
White	7,290 (85.0%)	1,270 (87.0%)	8,560 (85.3%)
Mixed	20 (0.2%)	10 (0.7%)	30 (0.3%)
Asian	20 (0.2%)	10 (0.7%)	30 (0.3%)
Black	10 (0.1%)	~	10 (0.1%)
Chinese or other ethnic group	30 (0.4%)	10 (0.7%)	40 (0.4%)
Prefer not to say or unknown	1,200 (14.0%)	170 (11.6)	1,370 (13.6%)
Total	8,580 (100%)	1,460 (100%)	10,040 (100%)

Source: Nomis, February 2012 data

Table 22: ESA WRAG contributory caseload by age – Wales

Age	Contributions-based only	Both income and contributions-based	Total
Under 18	10	~	10 (0.1%)
18–24	480	120	600 (6.0%)
25–34	850	190	1,040 (10.4%)
35–44	1,610	350	1,960 (19.5%)
45–49	1,240	230	1,470 (14.6%)
50–54	1,440	240	1,680 (16.7%)
Over 55	2,960	320	3,280 (32.6%)
Total	8,580	1,460	10,040 (100%)

Source: Nomis, February 2012 data

Table 23: ESA WRAG contributory, ESA WRAG both contributory and income-related, and all ESA by primary medical condition (Wales)

Recorded primary medical condition	ESA WRAG contributory only	ESA WRAG both contributory and income-related	All ESA
Mental and behavioural disorders	37%	41%	43%
Diseases of the musculoskeletal system and connective tissue	22%	18%	15%
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	12%	14%	14%
Injury, poisoning and certain other consequences of external causes	7%	6%	8%
Diseases of the circulatory system	5%	5%	4%
Other	15%	17%	16%

Source: Nomis, February 2012 data

Table 24: ESA WRAG contributory, ESA WRAG both contributory and income-related, and all ESA by primary medical condition (GB)

Recorded primary medical condition	ESA WRAG contributory only	ESA WRAG both contributory and income-related	All ESA
Mental and behavioural disorders	36%	39%	43%
Diseases of the musculoskeletal system and connective tissue	21%	19%	15%
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	12%	11%	12%
Injury, poisoning and certain other consequences of external causes	7%	6%	7%
Diseases of the circulatory system	5%	5%	4%
Other	19%	20%	18%

Source: Nomis, February 2012 data

Abolition of concessionary ESA 'youth' NI qualification conditions

Table 25: ESA contributory caseload by ethnicity – Wales

Ethnic group	Contributions-based only
White	15,710 (69.5%)
Mixed	50 (0.2%)
Asian	60 (0.3%)
Black	40 (0.2%)
Chinese or other ethnic group	70 (0.3%)
Prefer not to say	1,600 (7.1%)
Unknown	5,090 (22.5%)
Total	22,620 (100%)

Source: Nomis, February 2012 data

IS

Tables 26 and 27: Lone parents claiming IS by gender

Wales

Number of children	Male	Female	Total
1 child	450	13,120	13,570
2 children	220	9,400	9,610
3 children	90	4,580	4,670
4 children	30	1,620	1,660
5 or more children	10	710	720
Total	800 (3%)	29,430 (97%)	30,230

Source: Nomis, May 2012 data

GB

Number of children	Male	Female	Total
1 child	9,060	241,820	250,890
2 children	4,400	179,110	183,510
3 children	1,790	89,730	91,520
4 children	610	34,610	35,220
5 or more children	260	15,660	15,920
Total	16,120 (3%)	560,930 (97%)	577,060

Source: Nomis, May 2012 data

Table 28: Lone parent IS claimants: age of claimant by age of youngest child

Age of youngest child Age of LP	Under 5	5 and 6	7 to 9	10 and 11	12 to 15
Under 18	1%	0%	0%	0%	0%
18–24	39%	10%	1%	0%	0%
25–34	42%	50%	40%	25%	9%
35–44	16%	33%	45%	52%	51%
45–54	1%	6%	13%	21%	36%
55–59	0%	0%	1%	1%	4%

Source: Work and Pensions Longitudinal Study, May 2010 (Taken from: DWP 2011f)

HB: size criteria for people renting in the SRS

Table 29: HB single claimants in the SRS by gender (Wales)

Age Band	Male (000s)	Female (000s)	Total (000s)
Under 25	2.2	7.2	9.4 (7%)
25–34	4.2	13.4	17.6 (14%)
35–44	6.4	13.4	19.9 (15%)
45–54	8.7	12.7	21.5 (17%)
55–64	8.8	10.7	19.5 (15%)
65-plus	13.3	28.8	42.0 (32%)
Total	43.6 (34%)	86.2 (66%)	129.8

Source: Single Housing Benefit Extract (SHBE), DWP, Stat-Xplore, November 2012 data.

Table 30: HB claimants in the SRS – Wales

Gender or couple	Breakdown of all SRS HB claimants (000s)
Single male	43.6 (26%)
Single female	86.2 (52%)
Couple	36.1 (22%)

Source: Single Housing Benefit Extract (SHBE), DWP, Stat-Xplore, November 2012 data.

Table 31: Impact of size criteria by family type (GB)

Family circumstances	Estimated number of claimants affected (and proportion of overall total) (000s)	Affected claimants as % of working-age SRS HB claimants (within each family circumstance)	Average weekly HB reduction per affected claimant
Age 60 and over, but under the qualifying age for Stage Pension Credit	50 (7%)	53%	£15
Under 60, couples with children	70 (11%)	20%	£15
Under 60, lone parents	150 (23%)	21%	£13
Under 60, couples without children	80 (12%)	68%	£16
Under 60, single people	320 (48%)	38%	£14
All family circumstances	660 (100%)	31%	£14

Figures may not sum due to rounding.

Source: DWP (2012d). Policy Simulation Model, using 2009/10 reference data from the FRS.

Table 32: Impact of size criteria by age (GB)

Age	Estimated number of claimants affected (000s)	Breakdown of working-age SRS HB claimants affected	Breakdown of all working-age SRS HB claimants	Breakdown of all SRS HB claimants	Average weekly HB reduction per affected claimant
Under 25	30	5%	11%	7%	£12
25–34	110	17%	24%	14%	£13
35–44	150	23%	27%	17%	£14
45–54	200	30%	23%	14%	£14
55 up to the qualifying age for State Pension Credit	160	25%	15%	9%	£16
The qualifying age for State Pension Credit, and over	None	N/A	N/A	39%	N/A
All	660	100%	100%	100%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the FRS. Totals may not sum due to rounding. (Taken from DWP, 2012d)

Table 33: Impact of size criteria by ethnicity (GB)

	Estimated number of claimants affected (000s)	Breakdown of working-age SRS HB claimants affected	Breakdown of all working-age SRS HB claimants	Breakdown of all SRS HB claimants	Average weekly HB reduction per affected claimant
White	600	90%	85%	89%	£14
BME	60	10%	15%	11%	£19
All	660	100%	100%	100%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the FRS. Totals may not sum due to rounding. (Taken from DWP, 2012d)

HB: up-rating LHA by the CPI (PRS)

Table 34: Breakdown of the HB caseload and average weekly award in the PRS by gender – Wales

Gender or couple	Breakdown of PRS HB claimants (000s)	Average weekly Housing Benefit Award (PRS)
Single male	25.5 (30%)	£69
Single female	41.8 (48%)	£84
Couple	19.0 (22%)	£85
All	86.3 (100%)	

Source: DWP (2013), Stat-Xplore, February 2013 data.

Table 35: Breakdown of the HB caseload and average weekly awards in the PRS by gender – Wales

Age	Caseload (000s)	Average weekly HB award
Under 25	10.7 (12%)	£79
25–34	23.3 (27%)	£81
35–44	18.8 (22%)	£86
45–49	8.2 (9%)	£81
50–54	6.4 (7%)	£78
55–59	4.8 (5%)	£75
60–64	4.2 (5%)	£74
65–69	3.8 (4%)	£71
70-plus	6.7 (8%)	£69
Total	86.8 (100%)	

Source: DWP (2013), Stat-Xplore, February 2013 data.

Table 36: Breakdown of the HB caseload by disability – GB (data not published at a Wales level)

	All HB PRS renters affected by measure	All HB PRS renters	All HB renters
DDA disability	50%	50%	66%
No disability	50%	50%	34%
All	100%	100%	100%

Source: DWP (2011g), averages derived from the FRS 2006–2007, 2007–2008 and 2008–2009

Table 37: Breakdown of the HB caseload by tenure and ethnicity – GB (data not published at a Wales level)

	All HB PRS renters affected by measure	All HB PRS renters	All HB renters
White	87%	87%	89%
Mixed	2%	2%	1%
Asian or Asian British	4%	4%	2%
Black or Black British	4%	4%	5%
Other (including Chinese)	3%	3%	2%
All	100%	100%	100%

Source: DWP (2011g), averages derived from the FRS 06/07, 07/08 and 08/09

HB: increasing the SAR age threshold to 35 (PRS)

Table 38: Gender breakdown of those affected

	People affected by policy	All LHA	All HB	Single, childless, working-age private renters, including those not on HB	All private renters, including those not on HB
Female	28%	46%	51%	36%	31%
Male	72%	33%	29%	64%	36%
Couple	0%	22%	20%	0%	33%
Source	Single Housing Benefit Extract, March 2010 data			FRS 2008/09	

Table extracted from: DWP (2011i)

WTC: childcare element (Wales)

Table 39

	Childcare element		
	Lone parents (number) (000's)	Couples (number) (000's)	Average weekly value (£ per week)
Wales	11.8 (55%)	9.5 (45%)	61
UK	274.4 (60%)	181.0 (40%)	65
GB	265.3 (60%)	174.9 (40%)	65

Source: Child and Working Tax Credits Statistics. Finalised annual awards 2010–11. Geographical analysis.

CTB

Table 40: CTB recipient households type by age group and family type (GB)

Age group	Total (000s)	Family Type							
		Single, no child dependant (000s)			Single with child dependant(s) (000s)			Couple, no child dependant (000s)	Couple with child dependant(s) (000s)
		Total	Male	Female	Total	Male	Female		
All ages	5,904.3 (100%)	3,277.8	1,351.5	1,916.2	1,143.2	64.6	1,071.9	877.1	606.2
Under 25	294.4 (5%)	101.7	52.7	48.0	153.2	1.5	150.7	11.9	27.7
25–34	790.3 (13%)	204.1	136.0	66.8	400.8	10.7	387.6	23.1	162.4
35–44	921.1 (16%)	307.2	201.8	103.8	371.1	23.4	345.7	24.1	218.7
45–49	487.7 (8%)	245.7	135.7	109.0	127.1	12.7	113.8	26.8	88.2
50–54	427.6 (7%)	265.7	131.9	132.7	58.7	8.2	50.3	47.6	55.6
55–59	371.8 (6%)	258.0	119.2	137.9	19.6	4.1	15.5	67.1	27.1
60–64	434.9 (7%)	299.9	133.2	165.9	6.8	2.2	4.5	114.4	13.9
65-plus	2,176.3 (37%)	1,595.5	440.9	1,152.0	5.9	2.0	3.9	562.1	12.8

Source: DWP (2013c) Table 15a: Council Tax Benefit recipients by Age Group and Family Type: February 2013. Available at: http://statistics.dwp.gov.uk/asd/asd1/hb_ctb/index.php?page=hbctb_arc

Table 41: Percentage breakdown of the population in GB by age

Age range	Percentage of GB Population
16–24	14%
25–34	17%
35–44	16%
45–49	9%
50–54	8%
55–59	7%
60–64	7%
65-plus	21%
All ages	100%

Source: ONS, 2010 based National Population Projections for 2012.

Table 42: Characteristics of CTB recipients in Wales 2012–13

Group	% who are			% of CTB expenditure	% of households
	Receiving CTB	Entitled but not receiving	Not entitled to CTB		
Single, not working	65%	13%	23%	17%	5%
Single, working	3%	5%	91%	1%	8%
Lone parent, not working	86%	7%	7%	15%	3%
Lone parent, working	10%	18%	72%	1%	3%
0-earner couple, no children	33%	13%	54%	5%	3%
0-earner couple, children	84%	13%	3%	9%	2%
1-earner couple, no children	2%	12%	87%	0%	5%
1-earner couple, children	6%	24%	69%	1%	5%
2-earner couple, no children	1%	1%	98%	1%	11%
2-earner couple, children	0%	1%	99%	0%	11%
Single pensioner	33%	27%	40%	24%	16%
Couple pensioner	17%	23%	61%	12%	12%
Multi-family household, no children	14%	18%	68%	8%	11%
Multi-family household, children	15%	15%	70%	4%	5%
With someone working	3%	9%	88%	8%	59%
With no one working	42%	22%	36%	92%	41%
With children	19%	11%	70%	31%	29%
Without children	19%	16%	65%	69%	71%
Containing a pensioner	26%	26%	48%	40%	31%
Not containing a pensioner	16%	9%	75%	60%	69%
Containing an adult receiving a disability benefit	46%	18%	36%	57%	23%
Not containing an adult receiving disability benefit	11%	13%	76%	43%	77%
Owner-occupiers	9%	15%	76%	35%	73%
Private renters	27%	13%	59%	18%	11%
Social renters	61%	12%	27%	48%	16%
All	19%	14%	67%	100%	100%

Source: Adam and Browne, 2012 (IFS calculations using TAXBEN run on updated FRS data from 2007–08 to 2009–10).

ILF: Wales

Table 43: ILF service users in Wales by gender

Gender	Year ending				
	2008–9	2009–10	2010–11	2011–12	2012–13
Female	48%	48%	48%	48%	48%
Male	52%	52%	52%	52%	52%
Total	100%	100%	100%	100%	100%

Source: Received via e-mail from ILF Team

Table 44: ILF service users in Wales by ethnic origin

Ethnic origin	Year ending				
	2008–9	2009–10	2010–11	2011–12	2012–13
African	0.1%	0.2%	0.2%	0.2%	0.2%
Asian British	0.2%	0.2%	0.2%	0.2%	0.2%
Asian, other	0.1%	0.0%	0.1%	0.1%	0.1%
Caribbean	0.1%	0.0%	0.0%	0.0%	0.0%
Chinese	0.1%	0.0%	0.1%	0.1%	0.0%
Indian	0.2%	0.2%	0.2%	0.2%	0.2%
Irish Traveller	0.1%	0.0%	0.0%	0.0%	0.0%
Mixed, other	0.1%	0.0%	0.1%	0.1%	0.1%
Mixed, white and Asian	0.1%	0.0%	0.1%	0.1%	0.1%
Mixed, white and Black Caribbean	0.2%	0.2%	0.3%	0.3%	0.3%
Pakistani	0.3%	0.4%	0.4%	0.4%	0.4%
White, British	21%	22%	23%	23%	22%
White, English	5%	5%	5%	4%	4%
White, Irish	0.2%	0.2%	0.3%	0.3%	0.3%
White, other	5%	4%	4%	5%	4%
White, Scottish	0.3%	0.3%	0.3%	0.3%	0.2%
White, Welsh	45%	45%	46%	46%	47%
Other	0.2%	0.1%	0.1%	0.1%	0.1%
Not stated	22%	21%	21%	20%	20%
Total	100%	100%	100%	100%	100%

Source: Received via email from ILF Team

Table 45: ILF service users in Wales by main disability

Disability	Year ending				
	2008–9	2009–10	2010–11	2011–12	2012–13
Arthritis (osteo-, rheumatoid-, Still's disease)	2%	2%	2%	2%	2%
Asperger's	0%	0%	1%	0%	0%
Autism	1%	1%	2%	2%	2%
Brain damage (inc. head injury)	3%	3%	3%	3%	3%
Cerebral palsy	15%	15%	16%	16%	16%
Cerebro-vascular (inc. stroke)	2%	2%	2%	2%	2%
Down's syndrome	11%	11%	11%	11%	11%
Epilepsy	3%	2%	2%	3%	3%
Learning disability	0%	3%	4%	4%	4%
Learning disability with autism	0%	1%	3%	3%	3%
Multiple sclerosis	7%	6%	6%	6%	5%
Muscular dystrophy or atrophy	2%	2%	2%	1%	1%
Other	8%	6%	5%	5%	5%
Severe learning disability	39%	36%	34%	34%	35%
Spina bifida	1%	1%	1%	1%	1%
Spinal injury	4%	4%	4%	3%	3%
Total	100%	100%	100%	100%	100%

Source: Received via email from ILF Team

Table 46: ILF service users in Wales by age

Category of age	Year ending				
	2008–9	2009–10	2010–11	2011–12	2012–13
16–25	14%	14%	12%	10%	7%
26–35	21%	21%	22%	23%	23%
36–45	26%	26%	25%	25%	25%
46–55	19%	20%	21%	22%	23%
56–64	13%	13%	14%	13%	13%
65-plus	7%	7%	7%	8%	8%
Total	100%	100%	100%	100%	100%

Source: Received via e-mail from ILF Team

Caveats:

1. **Tables 43 to 46:** The total number of ILF service users in Wales in each year, represents the caseload at the end of the year (as at 31 March).

The total does not represent the total number of ILF service users in Wales paid in that year.

2. **Tables 43 to 46:** The ILF accepted new applications until April 2010. Hence, the number of ILF service users in Wales increases up to 2009–10, then decreases thereafter because of attrition.
3. **Table 44:** The ILF service users on their ILF application forms are asked to state their ethnic background. Not all ILF service users were happy to give this information (which is voluntary). Hence, included in this table is the number who have not stated.
4. **Table 45:** The ILF service user's on their ILF application forms state what their main disability is. This is the information Table 2 is based on, and may not be their only disability.

Impact of the welfare reforms on financial work incentives in Wales

Table 47: Incentives to be in work at all in Wales – average Participation Tax Rate (PTR) (the proportion of total gross earnings lost in the form of tax and withdrawn benefits)

	April 2010	Change in average PTR (percentage points) from:			Number (thousands)
		Reforms excluding UC	UC	Reforms including UC	
Single, no children	37.2%	-1.0	-0.8	-1.8	452
Lone parent	32.0%	2.2	-2.0	0.1	104
Partner not working, no children	38.8%	0.1	-3.9	-3.9	205
Partner not working, children	49.6%	9.5	-16.0	-6.4	123
Partner working, no children	22.4%	-2.1	1.1	-1.0	460
Partner working, children	33.0%	-1.5	5.2	3.6	413
Without children	31.4%	-1.3	-0.6	-1.9	1,117
With children	36.0%	1.2	-0.1	1.1	640
Aged 19–24	29.1%	-0.1	-0.5	-0.6	245
Aged 25–54	33.6%	-0.1	0.0	-0.1	1,122
Aged 55–SPA	34.1%	-1.2	-1.5	-2.7	390
White	33.1%	-0.4	-0.4	-0.8	1,681
Non-white	31.8%	0.4	-0.1	0.3	77
Receiving a disability benefit	44.4%	-3.4	0.1	-3.3	196
Partner receiving a disability benefit	42.2%	5.8	-9.6	-3.9	120
No adult in the family receiving a disability benefit	31.1%	-0.4	0.2	-0.2	1,482
Owner-occupier	29.7%	-0.7	-0.4	-1.2	1,296
Private renter	29.1%	-1.2	0.7	-0.5	216
Social renter	47.6%	2.3	-5.5	-3.2	229
Working	30.8%	-0.2	-0.1	-0.3	1,198
Non-working	37.9%	-0.6	-1.1	-1.8	559
All	32.7%	-0.4	-0.4	-0.8	1,757

Source: Adam and Phillips (2013). **Note:** Selected benefit and tax credit reforms only (as outlined in section of the report): tax system held constant in its expected 2014–15 form. Sample includes all individuals in Wales aged between 19 and the SPA. Authors' calculations using the IFS's tax and benefit micro-simulation model, TAXBEN, run on up-rated data from the FRS 2007–08 to 2009–10.

Table 48: Incentives for those in work to increase their earnings in Wales – mean Effective Marginal Tax Rate (EMTR) (proportion of a small increase in earnings lost in tax and withdrawn benefits)

	April 2010	Change in average PTR (percentage points) from:			Number (thousands)
		Reforms excluding UC	UC	Reforms including UC	
Single, no children	33.6%	-1.4	-0.3	-1.7	258
Lone parent	63.0%	-1.5	-10.8	-12.3	56
Partner not working, no children	39.8%	0.1	2.9	3.0	89
Partner not working, children	59.3%	-2.2	2.8	0.6	64
Partner working, no children	30.5%	-1.0	-0.1	-1.2	383
Partner working, children	37.5%	-1.0	-0.4	-1.5	350
Without children	32.7%	-1.0	0.2	-0.8	729
With children	43.5%	-1.2	-1.2	-2.5	469
Aged 19–24	29.1%	-0.6	2.1	1.6	141
Aged 25–54	38.8%	-1.3	-0.8	-2.1	867
Aged 55–SPA	34.2%	-0.6	-0.2	-0.8	191
White	36.9%	-1.2	-0.4	-1.5	1,148
Non-white	38.1%	0.3	-0.7	-0.3	50
Receiving a disability benefit	46.9%	-1.7	-6.8	-8.5	22
Partner receiving a disability benefit	46.3%	1.2	1.2	2.4	51
No adult in the family receiving a disability benefit	36.4%	-1.2	-0.3	-1.5	1,130
Owner-occupier	35.1%	-0.8	-0.4	-1.2	979
Private renter	41.7%	-2.5	-0.5	-3.0	123
Social renter	52.3%	-3.0	-0.3	-3.2	84
All	36.9%	-1.1	-0.4	-1.5	1,198

Source: Adam and Phillips (2013). **Note:** Selected benefit and tax credit reforms only (as outlined in section 2.2 of the report) – tax system held constant in its expected 2014–15 form. Sample includes all individuals in Wales aged between 19 and the SPA. Authors' calculations using the IFS's tax and benefit micro-simulation model, TAXBEN, run on up-rated data from the FRS 2007–08 to 2009–10.

Annex 2: Glossary of terms

Switch to indexing almost all benefits and tax credits to the CPI rather than the RPI

Prior to April 2011, most benefits and tax credits were up-rated by the RPI or the Rossi Index. Since then, the up-rating policy has switched to the generally lower CPI.

One per cent cap on most working-age benefits, tax credits (excludes disability and carers benefits) and CB

The following working-age benefits and tax credits will increase by 1 per cent for three years from 2013–14: the main working-age rates of IS, JSA, ESA and HB; the WRAG component of ESA; the couple and lone parent elements of WTC and the child element of CTC; the corresponding elements of UC; and, Statutory Sick Pay and standard rate elements of Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption Pay, and Maternity Allowance. It will not apply to the premia within these benefits relating to disability, pensioners, and caring responsibilities, the Support Group component of ESA, or the disability elements in tax credits, which will be up-rated as usual.

CB will increase by 1 per cent for two years from 2014–15.

UC

A new, single welfare benefit that will replace the following means-tested benefits and tax credits for working-age adults: IS, income-based JSA, income-related ESA, WTC, CTC, and HB. UC will be rolled out nationally from October 2013. A pathfinder programme commenced in April 2013 in parts of north-west England.

Household benefit cap

Since April 2013, total household benefit payments for working-age claimants have been capped so that workless households will no longer be entitled to receive more in benefit than the average weekly wage, after tax and NI. Total entitlement to benefit payments will be capped at £500 per week for couples and lone parent households. The level of entitlement for single adults will be capped at £350 per week. There are some exemptions to protect certain groups from the cap.

DLA/PIP

DLA is a benefit that provides a cash contribution towards the extra costs of needs arising from an impairment or health condition. It is a tax-free, non-means-tested and non-contributory benefit, and is payable regardless of employment status. DLA will be replaced by the PIP, which has been introduced for 16 to 64-year-olds from April 2013, in a phased approach. Like DLA, PIP will have two components (daily living component and a mobility component).

However, each component will have two rates (the standard rate and the enhanced rate) rather than three.

CA

CA is paid to individuals who look after someone with caring needs of 35 hours a week or more. The person they care for must receive DLA at the middle or higher rate or AA.

Time-limiting contributory ESA to one year for those in the WRAG

Since May 2012, the Welfare Reform Act 2012 introduced a time limit to contributory ESA of 12 months for those in the WRAG.

Abolition of concessionary ESA 'youth' NI qualification conditions

From April 2012, the provision known as ESA 'youth', that allowed those aged 16 to 19 (or 25 if in education) to qualify for contributory ESA without meeting the normal NI conditions, was abolished. Those who do not meet the contribution test will be eligible to receive income-related ESA if they fulfil the conditions of entitlement. Otherwise, they will not receive ESA.

Reduction in support through the childcare element of tax credits

From April 2011, the proportion of eligible formal childcare costs covered by tax credits was reduced from 80 per cent to 70 per cent (up to a cap). However, the Budget 2013 proposed to increase this to 85 per cent if all adults are taxpayers from April 2016.

Changes to CB

CB rates frozen for three years from 2011–12 and subject to a 1 per cent cap for two years from 2014–15.

From January 2013, CB will be withdrawn where someone in the household has a taxable income of more than £50,000. Via changes to income tax, it will be withdrawn at 1 per cent for every £100 earned over £50,000.

CTS

In April 2013, the UK Government devolved responsibility for providing support for low-income families with their council tax and has cut funding by 10 per cent. The Welsh Government has made up a shortfall of £22 million in 2013–14. The development of revised CTS regulations for 2014–15 onwards is currently underway.

SF/DAF

The Welfare Reform Act 2012 abolished the SF in March 2013. The discretionary elements of the Fund – CLs and CCGs – have been transferred to the Welsh Government. A replacement scheme, the DAF, which is managed and delivered by Northgate Public Services (in partnership with Family Fund Trading and Wrexham County Borough Council), has been in place since April 2013.

ILF

The ILF provides discretionary cash payments directly to disabled people with high support needs. This support enables disabled people to choose to live in their communities rather than in residential care. The ILF was closed to new applicants in June 2010. Current users will continue to receive ILF payments as long as they still meet the eligibility conditions. In December 2012, the UK Government confirmed that it will be closing the ILF in 2015 (to its current users) and devolving funding to local authorities in England and to the devolved administrations in Wales and Scotland. The Welsh Government is currently considering a number of options for the future of the ILF in Wales. A consultation will be undertaken later in summer 2013.

Removing IS eligibility for lone parents based on the age of their youngest child

IS is the main income-replacement benefit for lone parents. Before November 2008, lone parents with a youngest child up to the age of 16 could claim IS as a lone parent. Since then, this threshold age has been gradually reduced to five.

Size criteria for people renting in the SRS

In April 2013, size criteria for new and existing working-age HB claimants were introduced in the SRS. The applicable maximum rent will be reduced by a national percentage rate depending on the number of spare bedrooms in the households.

HB: CPI up-rating of LHA

From April 2013, annual increases in LHA rates used to calculate HB for claimants in the PRS are restricted to equivalent increases in the CPI. However, LHA rates will be subject to a 1 per cent cap for two years from 2014–15.

Increasing the SAR age threshold to 35

From 1 January 2012, the age threshold for the HB SAR increased from 25 to 35.

Move from IB to ESA

In October 2008, pre-existing benefits paid on grounds of incapacity and disability, that is IB, SDA and IS, were replaced with ESA for all new claimants. Starting from October 2010, most claimants who receive IB, SDA and IS paid on the grounds of illness or disability will be assessed to see if they qualify for ESA. Whether as part of a new claim or the reassessment of incapacity benefit, a key part of the ESA regime is the WCA process, which is used to assess capability for work and eligibility for benefit.

Individuals can be found fit for work – their claim closes and the claimant can move to JSA or the claim remains open pending recourse against the decision, via reconsideration from DWP or appeal to Her Majesty's Courts and Tribunal Service.

Individuals can be found to have LCW – they are allowed the benefit and placed in the WRAG. Those in this group are not expected to work, but are provided with help and support to prepare for work where possible.

Individuals can be found to have LCWRA – they are allowed the benefit and placed in the Support Group. Those in this group have the most severe functional impairments and so are provided with unconditional support.

There are two types of ESA. Contributions-based ESA is a non-means-tested benefit that is payable to people who are deemed unable to work and who have made sufficient NI contributions. Income-based ESA is a means-tested benefit that is available to people who are deemed unable to work but who do not have sufficient NI contributions. Claimants must have household savings of under £16,000 and their partner cannot be in employment for more than 24 hours per week.

SDP

Currently, working-age disabled people receiving the middle- or higher-rate care component of DLA and on means-tested benefits (e.g. IS, JSA, income-related ESA, HB, etc.) may be entitled to the SDP. The entitlement criteria also requires the claimant to be living on their own (or just with children) with no assistance from a carer who is paid CA. This premium provides support to disabled people to meet the extra costs of living alone or without an adult carer. There will be no equivalent to the enhanced and SDP under UC.

DHPs

DHPs were introduced in July 2001 and are used by local authorities to provide financial assistance to claimants in receipt of HB and/or CTB, when the LA considers that additional help with housing costs is required. DHPs may be awarded as a one-off payment or periodically for a period the LA considers appropriate. Since April 2013, DHPs have been extended to people receiving UC providing they have had a rental liability and were eligible for support towards housing costs.

The UK government contribution towards DHPs has been increased to help LAs provide support to people affected by some of the key welfare reforms, namely: introduction of the benefit cap; introduction of the social sector size criteria; and, the LHA reforms.

Earnings disregard

The level of earnings that are disregarded before UC starts to be withdrawn.

Taper rates

The rate at which benefit is reduced to take account of earnings above the disregard.

Conditionality

The work-related requirements a claimant has to undertake in relation to a UC award.

Participation tax rates

The proportion of total gross earnings lost in the form of tax and withdrawn benefits.

Effective marginal tax rates

The proportion of a small increase in earnings lost in tax and withdrawn benefits.