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The impact of welfare reform and welfare-to-work programmes: an evidence review

Executive summary

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Executive summary

Introduction

This report examines the impact of the welfare reform and welfare-to-work programmes introduced by the 2010–15 Conservative/Liberal Democrat Coalition Government and the Conservative Government elected in May 2015. A particular aim of the review was to examine the evidence about the ways in which protected groups, and subsets of these, for example lone parents, have been affected by these reforms. A further aim was to examine the gaps in the research evidence, both for particular reforms, and by protected characteristic. The research was commissioned by the Equality and Human Rights Commission (EHRC) in 2017 as part of a staged programme of work, which also included a cumulative impact assessment (CIA) (Portes and Reed, 2018) and built on earlier work on CIA (Reed and Portes, 2014; EHRC, 2012, 2015).

Since 2010, the UK welfare system has experienced far-reaching changes and major welfare reforms have been introduced. These range from high-level policy design, in terms of eligibility and payments, to delivery and implementation. This has included: the replacement of six key benefits with Universal Credit (UC); the introduction of an intensified conditionality and the sanctioning regime, whereby claimants are required to meet certain conditions or face losing benefits; and changes to assessment and entitlement to incapacity and disability-related benefits. The changes to social security and welfare-to-work were introduced gradually from the 2010 emergency Budget and some of the reforms, notably UC, have yet to be fully implemented. Thus the context is an evolving one and the impacts of the reforms are still emerging.

Methods

This report consists of: a detailed literature review; a brief analysis of the total number of recipients of the benefits relating to the reforms, including proportions in protected groups where feasible; and interviews with stakeholders, some of whom have direct engagement with protected groups and who have conducted their own

assessments of the impact of the reforms. We have examined both the existing evidence of impact and the likely impact of future changes planned until the end of the current Conservative Government's term of office in 2022.

Main findings

The main findings of the research examine the drivers of the reforms, their implementation and the capacity to respond to them. They also cover the impact on protected groups.

Drivers of reforms

Our research shows that the reforms were backed by a clear strategy and set of policies aimed at incentivising paid work over inactivity and reducing welfare expenditure. They were also aimed at simplifying the welfare system. Over time, the focus of the reform programme shifted towards a stronger focus on cost cutting within the UK Government's austerity agenda. Most importantly, while the original objective of UC was to simplify the system and improve work incentives, by the time of its national roll-out, it had become primarily a cost-saving measure.

Many of the likely impacts on protected groups were understood and others could have been expected had a fuller assessment been carried out by the UK Government before implementation. Most published equality impact assessments (EIAs) merely detailed the proportion of existing claimants by protective group, rather than conducting a more detailed exploration of possible financial and non-financial impacts. The impacts could also have been better foreseen had it been acknowledged that many individuals and households are affected by changes to a range of benefits. Some equality groups, in particular disabled people and women (especially as lone parents), are affected in this way. Future changes should incorporate a cumulative impact assessment, as carried out in the related research study by Portes and Reed (2018).

Employment growth overall has been extremely strong, and this means that substantial numbers of people have moved from benefits to work. In some cases (for example, lone parents) reforms are likely to have contributed to this outcome; in others, particularly with regard to disability and incapacity benefits, movement from benefits to work was much smaller than planned. Some reforms, for example, to Council Tax Benefit, have entailed additional costs to the welfare system rather than

reducing expenditure. Our review has focused not on whether the reforms have worked, but on their impact on protected groups, and we have gathered together a large body of evidence on whether there has been a disproportionately adverse effect on some groups. The research focused on those with protected characteristics, as defined by the Equality Act 2010, including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

Implementation of reforms

Overall, the impact of the reforms appears to be largely a result of their design, but implementation has been a significant factor in some reforms. For example, there is some evidence of a differential use of sanctions. There is also evidence that some of the impacts of reforms to disability benefits have been caused by the assessment process, which is sometimes so stressful that it has adversely affected the health and wellbeing of claimants. This is most apparent in the literature on the Work Capability Assessment (WCA) for applicants for Employment and Support Allowance (ESA). Contributing factors include a lack of understanding by assessors of specific conditions, especially those which fluctuate in their symptoms and severity, including mental health.

There is also evidence of an impact resulting from the delivery model of some benefits, in particular the move to single monthly payments in UC and payment via one nominated account. These have a disproportionate impact on women as those who most commonly manage household budgets.

Some of the adverse impacts of the reforms have resulted from the difficulties experienced by people transitioning from discontinued legacy benefits to new ones, and delays to payments. Examples include the change from Disability Living Allowance (DLA) to Personal Independence Payment (PIP) and, again, UC. The same applies to reforms around disability and work, with the impact of ESA largely relating to the experience of the WCA, which is reported to exacerbate the conditions of some benefit claimants. This impact has been explained as much by the process of implementation as by the benefit change itself. The changeover to UC has also caused financial difficulties and stress. Any period with a reduction in benefit leads to greater dependence on family and charities, and evidence of this is particularly strong in relation to disability benefit transitions and delays. It is also a consequence of sanctioning.

Capacity to respond to reforms

While we have not focused on whether the reforms achieved their intended aims, there is mixed evidence on whether they have facilitated or encouraged a movement into work. Overall, the evidence suggests that the impact of conditionality has varied. Some groups are more likely than others to find work. These include: women compared to men, and lone parents in particular; younger participants compared to older ones; and those without health conditions and disabilities compared to those with them. The evidence suggests the Work Programme has largely sought to support transitions to work through a regime of conditionality and sanctions, and that significant gaps have existed in the provision of personalised support for those furthest away from the labour market. In particular, poor outcomes for groups requiring the most specialist support (for example, ESA claimants), as well as evidence of a lack of appropriate support and opportunities facilitated by the Work Programme, suggest some significant reconsideration is required for the upcoming Work and Health Programme.

There is evidence that increased conditionality, and the resultant increase in sanctioning, has had many adverse impacts, including increased debt and borrowing, destitution, increased homelessness and the use of foodbanks, all of which have had implications for the physical and mental health of people. Some individuals and families directly affected by reforms such as the benefit cap and the 'bedroom tax' face barriers in reducing their costs and in downsizing. These groups include disabled people, pregnant women and new mothers. Some households therefore have little choice but to 'stay and pay', thereby reducing spending on essential and non-essential items. Moreover, the option to move is constrained by the shortage of smaller properties available in some localities.

The reforms also created some perverse incentives; for example, UC in particular has reduced incentives for second earners to work more than a small number of hours. It is too early to assess UC's impact on progression within work. However, due to the weaker incentives for second earners, who are often female, concerns have been expressed that the reform has a male breadwinner model that discourages equal workplace participation within a household.

Impact on protected groups

Some reforms, for example UC, have winners and losers, but some have losers by definition, for example the benefit cap, 'bedroom tax' and sanctioning. Moreover,

while some individuals and groups may be affected by only one or two reforms, others will be affected by a wide range of them, and this can only be measured by a cumulative impact assessment as carried out by Jonathan Portes and Howard Reed (2018) in their separate report for the EHRC.

Our review finds evidence that the reforms have affected the income, living standards and opportunities of a number of protected groups. The most affected protected group is disabled people, driven largely by reforms targeting disability benefits directly. Families with disabled adults and disabled children have faced the largest financial loss in cash terms compared to any other household type. In addition, the evidence demonstrates the negative and stressful experience of the PIP application process.

In addition, there is a particularly strong adverse impact on lone parents and larger families, including their children. The adverse impact on women is mainly driven by the fact that women represent the vast majority of lone parents and receive a larger proportion of their income from benefits and tax credits, and have therefore been affected by cuts across the board. Meanwhile, the adverse impact on larger households and their children is driven mainly by the decision to limit eligibility to tax credits and UC to the first two children, as well as the benefit cap's negative impact on larger families.

There is evidence that those groups most affected were already the most disadvantaged. Ethnic minorities have been affected disproportionately because of existing higher rates of poverty and because of family size, for some groups, and location. The impact on some ethnic minority groups may to some extent be cushioned by lower rates of claiming benefits, yet under-claiming itself contributes to poverty. There is also evidence of differential treatment of ethnic minority claimants expressed in higher rates of sanctioning.

Sanctioning is another example of how the reforms have had most impact on more disadvantaged claimants, who are less able to get interim support from family and friends and have problems of addiction and homelessness. People with mental health conditions have experienced higher rates of sanctioning, exacerbating their existing problems.

It is also apparent that people who fall into more than one protected group, for example age and disability (older people and children), are more affected than others by the reforms. Portes and Reed (2018) find that families with both a disabled adult and at least one disabled child experience particularly large losses of income.

Evidence gaps: protected groups

We have reviewed a large body of literature on the impact of the reforms and, while we have found evidence of some protected groups affected in a number of ways, for others there is little published evidence. The body of evidence relating to the impacts on disabled people and families with children is reasonably strong, although gaps exist in the types of impacts experienced. Groups for which there is little evidence includes lesbian, gay, bisexual and transgender (LGBT) people, which reflects a shortage of evidence more generally on their lives and experiences of services. There is a shortage of evidence on the impact of the reforms on pregnant women and new mothers, and on married people and civil partners. The protected characteristic of religion and belief has also received relatively little attention, although it is recognised that some groups will have been affected by reforms such as the benefit cap because of larger family size. More evidence is therefore required in relation to the following groups and experiences:

- the impact of the reforms according to sexual orientation and gender reassignment, where there is almost no evidence at all
- the impact of reforms to Housing Benefit on the independence of young people
- the ways in which young people seeking to enter or progress in the labour market are affected, including by sanctioning and reliance on family members
- the longer-term outcomes of ESA applicants who are found 'fit for work' and who may be neither in employment nor on benefits
- the wider impacts on pregnant women and new mothers beyond the effects of specific benefits, and how this group fares in the welfare system at this critical period in their lives
- the impacts by religion or belief
- the impacts by race; existing evidence is largely restricted to the benefit cap, housing and family size
- the reasons for the lower rates of claiming among some black and ethnic minority groups, which, while reducing the impact of some reforms, exacerbate levels of poverty, disadvantage and vulnerability
- the impact of the reforms on Gypsies and Travellers, who are an under-researched group
- whether, and in what ways, recent migrants from ethnic minorities have been affected by the reforms
- the ways in which marital status might affect access to benefits

- how individuals and households that fall into two or more protected groups are affected by the reforms and how specific configurations of intersectionality increase impact.

Evidence gaps: the reforms

We provide detailed evidence of the impact of the reforms and on particular protected groups where this is available. However, there are some specific gaps in evidence in relation to the impact of particular reforms:

- For a number of benefit changes, including the benefit cap and Local Housing Allowance, further evaluations could be beneficial to provide an updated assessment of the impact of the reforms, and there is a particular need for high-quality academic research, including in-depth qualitative studies, in order to understand their impacts on protected groups.
- There is a particular need for the Department for Work and Pensions to provide an updated equality impact assessment (EIA) for UC, as the most recent one was published in 2011 and is therefore based on outdated assumptions about work allowance levels, taper rates, childcare support costs etc.
- It is necessary to understand how the reforms have a cumulative impact on individuals, households and groups, as carried out in the related study by Portes and Reed (2018).
- More research is needed on how the reforms have different impacts on specific protected groups by geographical location, because of differences in labour and housing markets, among other factors.
- The negative impacts, including on health and wellbeing from delays in assessments and periods without benefits and support, are not fully understood. Research on the transition between benefits could help identify ways in which the process could be improved.
- UC includes a number of features that discourage equal participation by second earners (who are mostly women), and the impact in practice needs to be understood.
- More research is required to ensure a better understanding of the impacts of sanctioning. In particular, there is a need for much more evidence on the impacts of sanctions in the longer term on income, work sustainability and the range of exit destinations from benefits, as well as on the differential impact on claimants by age, disability, gender and race.

Evidence gaps: types of impact

We have provided evidence of some of the ways in which the reforms have affected the equality and human rights of protected groups. Research has focused on the financial implications of the reforms, especially the reduction in income (the principal impact) experienced by individuals, families and equality groups. This has resulted in reduced spending on essentials, including food and heating, as well as on non-essential items. There is strong evidence that cuts in welfare and payment delays are responsible for increased use of foodbanks.

There is a smaller body of evidence on other ways in which a fall in income affects equality and human rights. However, there is evidence of impact on family life; for example, in some cases, the bedroom tax has led to a loss of private space for children for activities such as homework, with implications for their education as well as for their wellbeing. There is evidence of impacts on health; for example, where recipients are older or in poor health. Research has found particular impacts on mental health for people affected by changes to disability benefits.

There has also been national and regional variation in impact. The Scottish and Welsh Governments have reduced the impacts on their citizens in a number of ways, including meeting the shortfall in Council Tax Benefit payments and using Discretionary Housing Payments to eliminate the impact of the 'bedroom tax'. At the same time, some impacts have been felt more strongly in London and the South East of England than elsewhere, in particular those relating to housing costs. These impacts strongly indicate the importance of structural factors.

Our interviews with stakeholders identified a number of impacts that have received relatively little attention in the published literature, but which they were aware of through close contact with protected groups. These impacts include the effects of living on a reduced budget for people in a range of family types and circumstances. Stakeholders were finding that cuts in state support have reduced levels of independence among disabled people and increased their reliance on families and charities.

In addition, stakeholders reported that low incomes were increasing the use of loans by families and, consequently leading to problems of debt, stress and relationship strain. Housing reforms, in encouraging relocation away from family support networks, were also reported to be having an impact on the health and wellbeing of those affected.

Finally, stakeholders identified a movement into poorly paid and insecure work, with fluctuating hours, as a further consequence of the reforms, and this again has not been examined in any detail in research on impacts. It is important to understand the dynamics of movement into and out of work, and the structural barriers to reducing dependence on state benefits. These clearly vary by locality, therefore potentially introducing further variation in how protected groups are affected by welfare reforms.

We therefore conclude that future research on types of impact should aim to fill gaps in data, knowledge and understanding of the following:

- the impact of the reforms on the daily lives of individuals and households where there is a shortage of in-depth and robust research
- the impact of the reforms on decisions about where to live and the consequences for people who relocate as a result of Housing Benefit changes and the 'bedroom tax'
- the experiences of people in protected groups, for example lone parents, who move into insecure work as a result of benefit changes
- structural barriers in labour and housing markets that make it difficult for people in protected groups to take action to lessen the impact of welfare reforms. These include, for example, barriers for older people or disabled people in relocating, transitioning into work or increasing hours in work as a response to welfare reforms.

Conclusions: the future of welfare reform

A number of the reforms are still to take effect or to have their full impact felt. These include: the full roll-out of Universal Credit; the two-child limit on child benefits; and in-work conditionality within UC. Expert stakeholders expressed the view that further reform may be constrained by the time and resources devoted to Brexit. Other factors that might slow the pace of reform were seen as a change in public attitudes towards welfare reform and opposition towards austerity. Furthermore, as the European Union referendum outcome showed, some communities feel both left behind and without support.

Some stakeholders also considered that the Grenfell Tower tragedy reinforced the notion that public services, including social security, are failing communities. There is a view that the current climate presents an opportunity to review the welfare reform agenda.

Our review provides some guidance on how the negative impacts of reforms to welfare and welfare-to-work might be reduced. Principally, this would involve simply reversing some measures that have had most impact on the living standards and welfare of protected groups. Priorities for such action should include the freeze on benefits and Personal Independence Payments (PIP). Universal Credit should also revert to its original intended design of simplifying the benefits system, aligning out-of-work and in-work benefits, and making it easier to transition into employment.

Many of the likely impacts on protected groups were understood and others could have been expected had a fuller assessment been carried out before implementation. Most published EIAs merely detailed the proportion of existing claimants by protected group, rather than conducting a more detailed exploration of possible financial and non-financial impacts. Some protected groups, in particular disabled people and women – especially as lone parents – are affected by changes to a range of benefits. Future welfare reforms should incorporate a cumulative impact assessment as carried out in the related research study by Portes and Reed.

Apart from redesigning some benefits and ending the more damaging measures, the UK Government could reconsider welfare reforms in the light of evidence about the disproportionate impact of the reforms on some protected groups. This should include serious consideration of: how welfare and welfare-to-work policies can actively support the equal participation of women and lone parents; how to ensure that disabled people who are able to work have the support they need; and how to ensure that disabled people and their families are adequately financially supported when they cannot work.

A change in policy direction requires the use of evidence to review how people can be supported into work in ways that do not involve benefit cuts, and their impacts. It requires revising the theory of change behind the reforms – that economic inactivity is a lifestyle choice and that cutting support will facilitate movement into work. It also requires acknowledging that structural, not just individual, barriers to work need to be better understood and addressed. More generally, there is a case for reframing welfare positively, as something needed by all sections of society at points in their lifetime. At the same time, it could be regarded as a means to promote equality and inclusion and to achieve an acceptable standard of living.

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