



An overview of welfare reform in London

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Welfare reform in London

- £2.9bn will be lost in London per year (Sheffield Hallam, *Hitting the Poorest Hardest*)
- Income of households claiming benefits will by on average £1,965 lower per year (£38 per week) (LGA and CESI, *The Local Impacts of Welfare Reform*)
- 47 per cent of benefit cap households are in London
- All households are affected:
 - By being hit by big sudden losses (e.g. benefit cap)
 - By becoming gradually poorer over time (uprating benefits below inflation and freezing child benefit)

Options for households affected

- **Move to cheaper accommodation**
 - Overcrowding
 - Cheaper area (possibly outside of London)
- **Start work or increase hours/wages**
 - High costs of housing and childcare
- **Discretionary Housing Payment**
- **Make do on less**
- **Debt** borrowing from family and friends; registered and unregistered loan providers; and falling into arrears on rent and bills

How have households responded?

	Total		London	
No. of capped households	38,665		18,152	
Total off flows	10,920	28.2%	4,960	27.3%
Working Tax Credit claim	4,250	11.0%	2,370	13.1%
Other Exemption	830	2.1%	290	1.6%
Household no longer claiming housing benefit	1,370	3.5%	590	3.3%
Reduction in Housing Benefit	1,480	3.8%	680	3.7%
Household benefit income below cap level	1,430	3.7%	460	2.5%
Change in household structure	130	0.3%	40	0.2%
Change in recorded Local Authority	200	0.5%	90	0.5%
Other	1,240	3.2%	440	2.4%

Government aims:

- Move people into work
 - 13% of capped households have started work
 - 44% LHA recipients were working before changes were introduced
 - Families are feeling pressured to work: 'The stick seems to be bigger than the carrot at the moment'
- Decrease housing benefit bill
 - London rents rose by 4.5% in the last year
 - Increase in use of temporary accommodation
 - Boroughs report decrease in HB bill, but increase in spending at other points in system (e.g. DHP)
- Tackle overcrowding
 - Increase in 'voluntary' overcrowding in order to reduce housing costs
- Increase 'fairness'
 - Increased discretion in the system

Worst still to come?

Full effects have not yet been felt:

- Discretionary Housing Payments providing respite, but not a solution
- Rents continue to rise
- Decreasing number of landlords renting to HB recipients
- To date, social landlords have been reluctant to evict
- Escalating household debts
- Introduction of Universal Credit

But...

- Introduction of Universal Credit
- 85% costs for childcare

Welfare reform and local welfare provision

- Households are coping on less
- Decreasing housing stability increasing number of moves
 - DHP temporary fix
 - LHA/HB landlords leaving the sector
 - rising rent in London
 - increase in temporary accommodation
- Welfare reform and increased cost of living are making whole communities poorer. Less capacity to use ‘informal’ credit.