Feeling the pinch: the impact of benefit changes on families and young people

Believe in children

Barnardo’s

By Nicola Smith
Feeling the pinch: the impact of benefit changes on families and young people
Executive summary

The level of financial help given to people of working age through the welfare system has been a subject of much debate over the last ten years. Successive governments have introduced a range of reforms, primarily aimed at cutting costs by making the system more efficient and ensuring that welfare does not act as a disincentive to paid work.

Barnardo’s is a major children’s charity. We run 900 services, and offer help to around 200,000 vulnerable children every year. Many of the children we work with live in families who are supported by welfare, whether through out-of-work benefits such as Jobseeker’s Allowance, or in-work benefits such as tax credits. We have therefore seen the impact of many of these changes “on the ground”.

This report draws on this experience to provide a first-hand account from Barnardo’s services on the impact changes to benefits have had on vulnerable families across England and Wales. It uses the results of a recent survey of 138 Barnardo’s services to paint a detailed picture of how families have been impacted by a variety of changes to benefits, and the difficult choices many of our families and young people have faced.

As the report will show, many of our services are concerned that the net impact of a succession of welfare changes is that the system no longer provides an adequate safety net for working-age families. This leads to those who rely upon it, (whether because they are currently unable to work, or because they need welfare payments to supplement very low wages), struggling. Services reported that they are increasingly seeing families getting into arrears with their rent, fearing eviction, or needing to rely on food banks, as their basic income is not enough to provide essentials for their children. Child poverty is widely expected to rise between now and 2020, and the evidence in this report shows just how cutting families’ incomes can have a devastating impact on vulnerable children and young people.

Key findings from the survey

- Sixty per cent of services said that recent changes to welfare had had a negative impact on the financial wellbeing of their service users.
- Sixty-four per cent of services who reported seeing some negative impacts said that they were seeing more families and young people using food banks as a result of cuts to welfare.
- Housing was also a concern. Of those services who were seeing some negative impact, 47 per cent were seeing an increase in families and young people in arrears with their rent, and 20 per cent were seeing an increase in families threatened with eviction.

Political debate on the future of the welfare state is continuing in the run up to the May 2014 general election. It is likely that difficult fiscal decisions will need to be made about the use of the welfare budget – irrespective of which party wins the election. However, as the UK economy begins to recover from the recent economic downturn, we are calling on all parties to consider what they can do to protect the most vulnerable families from the worst impacts of cuts to the welfare budget. In particular, we would like decision makers to commit to:

- Increasing means-tested benefits by a minimum of CPI inflation to ensure welfare provision keeps up with the rising cost of living.

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2 The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
a full review on the use of benefit sanctions – in particular looking at what support could be provided to prevent vulnerable claimants getting sanctioned in the first instance

reforming the under-occupancy charge in social accommodation (‘bedroom tax’) to allow more flexibility; in particular, those impacted by the charge should be exempt if there is no other suitable accommodation for them to move into.

committing to providing central government ring-fenced funding for local welfare assistance schemes, as a minimum at the level originally committed to in 2010.
What impacts have the changes to welfare payments had on vulnerable families and young people?

Barnardo’s has long been concerned about the impact that growing up in poverty can have on a child. Children growing up in poverty can frequently miss out on what most of us consider essential: a decent diet, a warm home, birthday treats, school trips, books, and somewhere safe to play. Growing up in poverty can also impact on children’s future life chances. Latest statistics show that only 38 per cent of children entitled to free school meals achieve 5 GCSEs A*–C, including English and Maths; 65 per cent of other children achieve this benchmark.³

The system of both in-work and out-of-work benefits forms a key protection for poor families, preventing their incomes falling below acceptable levels and protecting children from some of the worst impacts of poverty. However, many in the charity sector have been concerned in recent years that the extent to which welfare benefits are able to do this has been slowly eroded away by successive changes. These changes have penalized the poorest families and made it harder for the most vulnerable to provide a suitable standard of living for their children.⁴

In November 2014, Barnardo’s conducted a survey involving 138 of our services, asking what impact successive changes to benefit entitlement had had on their service users. We asked services to comment on a number of welfare reforms (introduced by both the Labour Government and the Coalition Government – see box A), and to provide feedback both on the overall impact that changes to welfare were having on their service users, and on which specific changes were having the biggest impact.

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Overall the survey showed that there was significant concern about the impact welfare reform was having on the families and young people we work with – 60 per cent said welfare reform had had a wholly negative impact on their service users.

Furthermore only five per cent of Barnardo’s services said that they thought more families and young people were moving into paid work as a result of changes to welfare.

When services reported negative impacts from welfare reform, we asked them specifically about the types of negative impacts they were seeing. The key findings are outlined below.

Box A
Summary of key changes introduced to date:

- Changes to Local Housing Allowance rates (paid to help claimants afford their rent in the private sector) including changes to the amount of rent that can be claimed.
- New under-occupancy rules (‘bedroom tax’) in the social sector, placing a financial penalty on tenants deemed to have a ‘spare’ bedroom.
- Introduction of the household benefit cap – a ceiling on the total amount of benefits that can be paid to working-age households.
- Changes to council tax benefit, including a cut to the overall budget and a decision to devolve the decision on eligibility to a local level. This means more low-income families are having to pay council tax for the first time.
- Replacement of Disability Living Allowance (payments made to help disabled claimants manage the extra costs of their disability) with Personal Independence Payments with stricter eligibility criteria.
- Replacement of incapacity benefit with Employment Support Allowance, which has more stringent tests, more conditionality and harsher sanctions.
- Restricting entitlement to child benefit – removing entitlement to the benefit from higher earners.
- Restricting payment rates and eligibility of both working tax credit and child tax credit.
- Abolishing the centrally-funded, discretionary Social Fund (crisis loans for living expenses and community care grants) and replacing it with local-authority-run schemes.
- Changes to the rules on sanctions given when claimants do not comply with the requirements of their benefit claim, including extending sanctions to more claimants and increasing the length of time people can be sanctioned for.
- Changes to benefit uprating – particularly the restricting of the uprating of most working-age benefits to one per cent for three years, from April 2012.

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Families and young people have to cut back on essentials

Previous research by Barnardo’s has shown that when family income is cut, parents are often forced to make a variety of difficult decisions to cover essentials. These can include turning off heating, even when the weather is cold, or cutting back on the family food budget.5

Our services report seeing more and more families who are cutting back on things that would generally be considered essential, and relying heavily on charitable aid to get by. Two thirds of the services (64 per cent) who described seeing a negative impact from

welfare reform reported that they were seeing an increase in the number of families and young people using food banks. As one service manager reported.

‘Lots of our families are using food banks. One child told us he is careful what he eats at home because he knows there isn’t much food and money is tight.’

Charities such as Barnardo’s are frequently finding themselves having to step in to provide essentials that families would otherwise go without.

How Barnardo’s is helping families impacted by changes to the benefit system

One mother with three young children was provided with three new duvets by her local Barnardo’s service. The children suffered with enuresis, and this was having a huge impact. The mum was having to wash the duvets for her two older children daily, with the added stress of finding ways to dry them in time for the evening. She informed us that, upon receiving the duvets, she could now afford to go and purchase school shoes for her children, as she was having to balance the decision on whether to buy duvets or shoes. The mum explained that the changes to the benefit system had taken its toll on her personal circumstances. The gift from Barnardo’s made a huge difference to her, and indeed her children.

Families and young people are struggling to meet their housing costs

Nearly half (47 per cent) of those services who were seeing a negative impact reported they were seeing an increase in rent arrears, while a fifth (20 per cent) were seeing an increase in families who had been threatened with eviction. This was primarily happening as a result of a number of changes to housing benefit in both the private and the social housing sectors, meaning families and young people no longer receive the support they need to pay their rent.

Barnardo’s workers reported that, despite cuts to housing benefit, many families are reluctant to move, given their connections to the local area. Families may have children in school, and often grandparents or other support networks nearby. However, even when a family or young person do look to move, they are finding that there are often limited options available to them, and rent arrears can build up while they wait for alternative accommodation, making it harder to move on until the existing debt is settled. Again this puts extra strain on the family, who can find themselves in a very vulnerable situation.
How changes to Local Housing Allowance are resulting in families struggling to make rent payments and fearing eviction

Barnardo’s is currently working with one young single mum with two children, whose housing benefit does not cover the entire rent on her private rented property, following changes to housing benefit rules. Over a few months she accumulated a rent arrears debt of nearly £700. Her ex-partner remained guarantor on the house, but is now being served with court papers to pay the debt and so he is harassing her. She was presented with an eviction notice by the agents, at which point she sought our assistance. The stress of this has had a knock-on effect on her health, as she is not eating or sleeping, and it is also impacting the behavior of her two young sons, who sense the stress their mother is under.

The project workers involved in this case reported:

‘We are still battling to assist this mum in maintaining a roof over her head, but there always seems to be one barrier after another and sources of emergency finance are not so easily accessed.’

Barnardo’s children’s centre, West Midlands

How changes to welfare support have forced families into debt

One young couple, supported by Barnardo’s, could not afford proper home insurance, and had to move out after a domestic flood, losing almost all of their possessions. Following the abolition of the Social Fund, the Barnardo’s service reports that the local arrangements to replace it proved totally inadequate. The best the couple were offered was a box of foodstuffs to feed them for a few days, which was useless given that the accommodation they had been able to secure had no cooking facilities. The service workers reported that the couple are still struggling with the debts they accumulated coping with this episode, and the lack of affordable financial support which was available to them.

Barnardo’s service working with families impacted by life-limiting conditions, North East England

Families are resorting to high-cost credit to cover their living costs

Nearly a quarter (24 per cent) of services who said that welfare reform had had a negative impact, reported that changes had resulted in more families turning to high-cost credit. This confirms findings from previous work done by Barnardo’s⁶ that many of the families and young people we work with struggle to access mainstream credit. Therefore, when they find themselves in financial difficulty they have to resort to high-cost lending, such as doorstep lenders or payday lenders. This problem has been made worse due to the replacing of the national Social Fund with local welfare assistance funds. Our services report that these often do not offer families an adequate level of emergency support.

Which changes to benefit entitlement are having the biggest impact?

As well as asking services about the overall impact of changes to benefit payments, we also asked about a number of specific reforms. Due to the diverse nature of the reforms which have been introduced, and because many families do not understand the complexities of how their benefits are calculated, it was difficult for service workers to comment on the full impact of all the reforms. However, despite these limitations we were able to ask services to list up to three reforms out of a list of eight broad categories that they believed were having the biggest impact.

Changes to the conditionality and sanctions regime was the biggest concern for our services

Some level of conditionality has been a longstanding feature of the UK benefit system, with access to unemployment benefit – for example – always being conditional on claimants being available for work. However, over the last ten years successive governments have extended the reach of conditionality, and increased the level of sanctions which may be imposed. The previous Labour Government began this process with the extension of conditionality to previously exempt groups such as lone parents and disabled people. The current Coalition Government introduced further changes to sanctions, in particular increasing the severity of sanctions – the maximum penalty is now complete withdrawal of benefits for three years.

Over half (51 per cent) of all services who said that they had seen some negative impacts as a result of changes to welfare payments, reported that the increased use of sanctions was having an impact. Statistics show that it is often the youngest claimants who are most likely to be subject to sanctions – under-25s accounted for 41 per cent of all sanctions issued between October 2012 and December 2013. Barnardo’s runs a number of services which work with vulnerable young people, for example services which offer support to care leavers, homeless young people, or teenage parents. Among this subset of services, over two thirds (67 per cent) said that increased conditionality and greater use of sanctions were having an impact on their service users.

Many of the respondents to our survey reported serious hardship as a result of families and young people being sanctioned. Many claimants had been sanctioned multiple times, leaving them with very limited money to provide for the basics. Many front-line workers reported that they were concerned at how these families and young people were managing to survive, with suspicions that some were relying on very risky means to support themselves. Living in severe hardship can also impact on a person’s mental and emotional health, causing high levels of stress.

How sanctions policy is impacting on vulnerable families

One mother was sanctioned after missing an appointment with the Jobcentre as she was attending a meeting at a school about her child’s behaviour. The family was sanctioned for six weeks without benefit and had to survive on child benefit. The family were able to borrow money from a local businessman (suspected to be a loan shark) turning a £300 loan into a £700 debt.

Barnardo’s family support service, North West England

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Those who work in Barnardo’s services are also concerned that vulnerable claimants often do not comply with conditionality requirements because they are unclear what is required of them. Many report not even knowing they have been sanctioned until they discover they have not been paid the amount of money they expect. Workers reported feeling that Jobcentre Plus can fail to understand the specific issues vulnerable young people face. For example, young people who cannot read are being sanctioned for not responding to correspondence.

‘I support a young male who was ten minutes late for a Jobcentre appointment. There is no quick method of offering an explanation for the delay. However, the young man had his benefit sanctioned... On phoning the benefit agency on his behalf, I find that some advisors are helpful and others are ‘the computer says no’ types. There are also differences between what is shown on the screens of an advisor and what is actually happening with the client. This makes challenging decisions so much harder.’

_Barnardo’s worker, leaving care service, Cymru_

However, services reported that there was some ad hoc evidence of good practice. For example, some of Barnardo’s leaving care services reported partnership working with Jobcentre Plus.

**How one Barnardo’s service is helping care leavers avoid benefit sanctions**

One Barnardo’s service in Derbyshire has been able to mitigate some of the impact of sanctions given to vulnerable care leavers, through the development of a local protocol with the Department of Work and Pensions, and the setting up of local identified workers who help us trouble-shoot specifically for care leavers. The same service has an agreement for workers to go to first interviews with young people, to help them explain what they are able to agree to in terms of weekly tasks in line with their capability.

_Barnardo’s leaving care service, Derbyshire_

Concern that policies on sanctions may be impacting too harshly on the most vulnerable has been acknowledged, and an independent review led by Matthew Oakley was conducted in early 2014. The review originated from the Jobseekers (Back to Work Schemes) Act 2013, which was passed following a series of legal challenges to the Department of Work and Pensions culminating in a ruling by the Supreme Court. However, the review was limited in scope, since it only covered sanctions issued to those on back to work schemes (these account for only a third of sanctions currently being issued against young people). In addition, a number of the recommendations suggested by Matthew Oakley, including proactively helping vulnerable people who have been sanctioned to claim hardship payments, have yet to be taken forward.

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Changes to levels of housing support in both the private and social sector have had a significant impact on vulnerable families and young people

Many of the changes to welfare have focused on altering and restricting what claimants can claim for help with their housing costs. Changes have included a number of new rules governing the levels of Local Housing Allowance paid to tenants in the private sector, including changes to rent levels, ‘excess’ payments, property size, age limits for sole occupancy, and indexation for inflation. There have also been new rules introduced to govern the size of properties for which payments are made to working-age claimants in the social rented sector, reducing housing benefit by 14 per cent for one additional bedroom and by 25 per cent for two or more additional bedrooms.

Many services reported that these changes were having an impact. Thirty-eight per cent of services who reported that changes to welfare were having a negative impact voiced concerns over the changes to Local Housing Allowance. Forty-seven per cent reported that the introduction of size criteria for working-age households in the social sector had been a problem.

Services that identified changes to housing support as a problem came from across the Barnardo’s service base. They ranged from family support services, services providing support for young carers, services helping families fleeing domestic violence, and those supporting care leavers. Many reported that they were working with families and young people already living on a stretched budget, who had little income left to meet the shortfall when they were no longer given enough money to meet their rent.
Services which cited changes to Local Housing Allowance rates as a problem reported that many families were finding there was a shortage of suitable accommodation which they could afford to rent. Staff reported that they were increasingly working with families who were finding they had to move frequently from one short-term tenancy to another, since it was difficult to find long-term, stable accommodation in their price bracket. This impacts on the stability families are able to offer to their children.

Services that highlighted a concern around the introduction of size criteria in the social sector expressed a number of concerns about the impact the policy was having. A key concern was that a lack of smaller, one or two-bedroom properties was making it harder for young people or young single parents to move into the social sector. This was a particular problem in Wales and the North of England. Services working with care leavers reported that they were struggling to move young people on from supported accommodation to the social sector, resulting in ‘bed blocking’. This means that young people continue to take up a bed in supported accommodation which could otherwise be freed up for another vulnerable young person. Similarly our services which help victims to escape domestic violence reported that it was difficult to move families on into stable living arrangements. As one worker reported:

‘There is a lack of available, suitable-sized accommodation for people fleeing domestic violence. Due to benefit changes they are now only entitled to one or two-bedroom properties, whereas previously they were offered two or three-bedroom properties if one or two bedrooms were not available. This has increased the length of time that they have had to be in unsafe or emergency accommodation.’

Barnardo’s worker, working with families impacted by domestic abuse, North West England

Another concern was that families impacted by the new size criteria were being forced to move out of local areas where they had a great deal of support. This is particularly problematic for services working with children who have caring responsibilities for a relative. Here local support networks can be crucial.
Finally, services were also concerned that the new rules were requiring some vulnerable families to make difficult choices which were not always in the interest of their family in the longer term. One service reported a case of a young person who had fled the family home due to domestic violence, who was pressured to return as her family would otherwise be impacted by the new under-occupancy rules. The mum had a disability that impaired her mobility, and the only suitable housing with two bedrooms was in a completely different area. This meant that the daughter had to change school, and stopped receiving support from Barnardo’s and the local church which had also been supporting the family. This all occurred at a time when the father, who had historically been the perpetrator of abuse, was seeking resumption of contact through the courts, and so when mother and daughter were especially vulnerable.

At the time the changes to housing benefit in both the private and social sectors were introduced, the government allocated extra money to councils to distribute through ‘discretionary housing payments’. This could be given to families impacted by the changes who would struggle to move. Evidence from our services shows that many Barnardo’s workers have been successful in applying for this money on behalf of affected service users, but the concern is that payments can only ever be made on a short-term basis, even when the problems experienced by the family, for example disability, are likely to be longer-term. This creates great uncertainty for the families, who are unsure if they will be able to maintain the property longer-term.

**How the under occupancy charge is impacting on young carers**

One young carer Barnardo’s was supporting had to move out of the area completely, as the older children had moved out to live independently, and the family were assessed as having two spare bedrooms and therefore impacted by the new under-occupancy rules. The mum had a disability that impaired her mobility, and the only suitable housing with two bedrooms was in a completely different area. This meant that the daughter had to change school, and stopped receiving support from Barnardo’s and the local church which had also been supporting the family. This all occurred at a time when the father, who had historically been the perpetrator of abuse, was seeking resumption of contact through the courts, and so when mother and daughter were especially vulnerable.

**Changes to the Social Fund are impacting on families and young people in crisis**

The UK welfare system has long recognized the need to provide a system of emergency assistance to vulnerable people who need to access funds in a crisis. This includes situations where there has been a failure of essential appliances, or when someone needs...
to leave their home suddenly to escape a dangerous situation. Historically this support was provided by community care grants, and crisis loans administered nationally. In the Welfare Reform Act 2012, the government passed legislation to abolish these discretionary grants as a national administered scheme and instead devolve this money to local authorities to administer emergency support locally. This reform was aimed at producing a service more responsive to local needs, as each local authority could set up provision which suited the needs of vulnerable people in their area.

While Barnardo’s understood the rationale behind local welfare assistance schemes, we expressed concern that a lack of ring-fenced funding and general pressure on local authority budgets could lead to a reduction in provision. It appears that there are areas in the country where this concern is being borne out – for example Nottinghamshire and Oxfordshire county councils scrapped their local welfare schemes in April 2014. Our survey revealed that a significant number of services were concerned about the level and type of emergency provision available locally. Thirty per cent of services who reported welfare reform as having a negative impact on their service users cited the localization of the Social Fund as causing a problem.

As one worker commented:

‘We are seeing more families unable to provide basic items for children and themselves at times such as house moves due to lack of emergency funding available.’

Barnardo’s worker, children’s centre, North West England

In addition, the switch to local-based support has resulted in a change in the type of provision on offer. Previous research has suggested that the majority of local welfare assistance schemes do not offer cash payments, with 81 per cent of local schemes only offering support through direct access to goods or services except in exceptional circumstances. The difficulty with this approach is that the level and type of assistance available frequently does not match the crisis needs of the individual. Even when it does, there can be delays as a claimant is left dealing with a supplier through a local authority, rather than managing the purchase directly.

How changes to the Social Fund have impacted on vulnerable families

One family Barnardo’s supported comprised a single mother, who had recently fled domestic violence, and her two young children, one of whom has significant autism. After leaving a refuge after 14 months, they were supported using the local emergency welfare fund to move into a new council house. Carpets were not allocated, so the floors were just concrete. The beds were ordered from the named supplier, but due to a delay in the delivery, the family slept on the concrete floor for several days until the beds were delivered. When Barnardo’s workers approached the local welfare fund, they said it wasn’t their problem.

Barnardo’s children’s centre, West Midlands

Even more worryingly, there is a significant risk that there will not be enough funding for many councils to continue with their local welfare assistance schemes after April 2015. The original Department for Work and Pensions (DWP) funding for local welfare

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assistance schemes will cease in 2015, and the local government financial settlement for 2015/16 allocated only £74m from the DWP to fund the schemes. This compares to allocated funding in 2013/14, for example, of £178 million – which is almost 60 per cent more than the most recent settlement. Many councils will therefore need to find money from other areas of their budget if they are to continue to provide the same level of emergency welfare assistance. The DWP funding is also not ring-fenced.

Barnardo’s is concerned that, as local authorities are faced with ever-shrinking budgets and seeking to find more ways to save money, we may see many local welfare assistance schemes being scaled back or cut completely. A Local Government Association (LGA) survey, published in October, revealed that only eight per cent of councils plan to continue their schemes unchanged after April 2015 if direct DWP funding is cut further.

10 The Government’s decision was announced on Tuesday 3 February 2015 as part of the local government finance settlement for 2015/16: http://www.parliament.uk/documents/commons-vote-office/February%202015/3rd%20February/1.DCLG-Local-govt-finance.pdf accessed 23 February 2015
The way forward

Our survey revealed that concern about the impact of cuts to working-age benefits is high among those who provide support to vulnerable families and young people within our communities.

As we move towards a new parliament, debates are continuing about possible further cuts to welfare provision in order to provide further savings. We believe this report demonstrates that in considering any further changes, the government needs to be mindful of the impact which further cuts will have on the poorest families and young people, who have already seen their income substantially reduced in recent years.

Many of the cuts which our services highlighted as causing particular difficulties for vulnerable families and young people did not yield big savings to the overall welfare budget. For example, the under-occupancy charge is estimated to have saved £490 million,\(^\text{12}\) while it is estimated that the government was spending £151 million less on the localized elements of the Social Fund in 2013/14 than in 2010/11 (looking at expenditure in real terms).\(^\text{13}\) In contrast, the cutting of child benefit from high income families saved over £2bn.

We believe that priority should be given to protecting benefits paid to those most in need. If further welfare cuts are necessary, these should be targeted on those benefits paid on a more universal basis, since not only do these tend to yield higher savings, they also spread the pain and prevent the full burden falling on those least able to cope.

Given the results of this survey, Barnardo’s calls upon any incoming government to commit to the following:

- Increasing all means-tested benefits by a minimum of CPI inflation to ensure welfare provision keeps up with the rising cost of living.
- Conducting a full review on the use of benefit sanctions – in particular looking at what support could be provided to prevent vulnerable claimants getting sanctioned in the first instance.
- Reforming the under-occupancy charge in social accommodation to allow more flexibility; in particular, those impacted by the charge should be exempt if there is no other suitable accommodation for them to move into.
- Committing to providing central government ring-fenced funding for local welfare assistance schemes, as a minimum at the level originally committed to in 2010.

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