

Better
Housing
Briefing

18

**Housing benefit
and welfare
reform: impact
of the proposed
changes on
black and
minority ethnic
communities**

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Key messages

- 1 Changes have been made to the current benefits and tax credits schemes, aimed at reducing spending and improving work incentives. The introduction of Universal Credit has been welcomed in principle, but some aspects are of concern to organisations representing claimants
- 2 The reduction and capping of Local Housing Allowance will impact disproportionately on black and minority ethnic communities as many live in areas targeted by the cuts and will often need larger accommodation due to family size
- 3 Child poverty rates for black and minority ethnic families in the UK are higher than the national average and the Housing Benefit cuts are likely to increase this disparity
- 4 Increased conditionality for working-age claimants is more likely to impact on black and minority ethnic claimants as they are disproportionately represented among workless households
- 5 Some of the reductions in Housing Benefit do not apply to claimants with disabilities; however, black and minority ethnic claimants are less likely to claim the benefits that provide this protection
- 6 Local authority Benefit services and their partners need to work together to mitigate the effects of the changes, where possible.

Introduction

Both the previous and the present government have proposed changes to reduce the increasing cost of Housing Benefit (HB), particularly for private sector tenants. The coalition government has introduced a package of measures intended to achieve savings of around £1 billion by 2014/15. The details of the proposed changes to HB and other benefits and tax credits were set out in the June 2010 budget statement ([HM Treasury, 2010a](#)) and the October 2010 Spending Review ([HM Treasury, 2010c](#)). Universal Credit, a major change to benefits and tax credits, is planned to be introduced from 2013 ([DWP, 2010f](#)). The Welfare Reform Bill 2011 was introduced to Parliament on 16 February 2011. The current version of the Bill, together with other sources of information, including Department for Work and Pensions (DWP) impact assessments and the explanatory notes for the Bill, are available on the DWP Welfare Reform website <http://www.dwp.gov.uk/policy/welfare-reform/>.

Some of the provisions in the Welfare Reform Bill may change as it goes through the parliamentary process. This briefing paper represents the position at 8 March 2011. Although some of the changes will apply to all HB claimants, they will mainly affect working-age claimants (and particularly those living in the private rented sector). Black and minority ethnic communities cut across many of the groups affected. They will also be disproportionately impacted as they are more likely to be represented among low-income and workless households, to need larger accommodation due to family size, to live in areas targeted by the cuts (e.g. London) and not to claim the benefits that entitle them to additional HB (e.g. disability premiums).

Working and non-working tenants of private and social landlords are eligible for HB (help with rent and some service charges) if they meet certain criteria and their income is sufficiently low. HB is currently administered by local authorities on behalf of central government.

1 Brief outline of the main changes

Changes to Housing Benefit

The following changes to the HB scheme will take effect from April 2011 and will apply to all claimants:

- *Increased non-dependant deductions.* There will be steep increases in the deductions from HB where other adults live with the claimant.
- *Increase in the amount allocated for Discretionary Housing Payments (DHPs).* DHPs are discretionary awards which local authority Benefit services may make to HB and/or Council Tax Benefit recipients whom they consider require some additional assistance to meet their housing costs. (In 2010/11, DWP contributed £20 million towards DHPs and will increase this by £10 million in 2011/12 and by £40 million each year from 2012/13.)
- *Entitlement to extra HB* where the claimant or their partner has a disability and needs overnight care from a non-resident carer.

The next group of changes will apply to new Local Housing Allowance (LHA) claimants from April 2011 and to most existing LHA recipients during 2012. The LHA rules apply to HB claimants living in the private rented sector who have moved or made a new claim since April 2008. The majority (75 per cent) of HB recipients in the private rented sector receive LHA ([DWP, 2010c](#), p. 16).

- *LHA rates capped.* The level of LHA depends on the number of bedrooms the claimant and their family need. LHA levels will be restricted to the four-bedroom rate and there will be a new national upper limit for each property size regardless of where the property is located:

One-bedroom property	Restricted to £250 per week
Two-bedroom property	Restricted to £290 per week
Three-bedroom property	Restricted to £340 per week
Four-bedroom property	Restricted to £400 per week

- *LHA rates set at the 30th percentile of local rents (previously the 50th percentile).* Just under a third of rents will be at or below LHA levels.
- *£15 weekly excess removed* where the tenant's rent is less than their LHA.

Other changes have also been proposed in the approach to Universal Credit, but the final details may change during the parliamentary process. They include:

- shared room rate used to assess HB for most single private sector claimants under the age of 35 (it currently applies only to those under 25);
- cap on benefit payments for most working-age claimants.

Universal Credit

The government plans to replace most means-tested benefits and tax credits for working-age adults with a single benefit, known as Universal Credit. Basic entitlements to Universal Credit will be set so that most families receiving out-of-work means-tested benefits will receive the same payments as they would under the current regime, while awards for working claimants will be reduced at a more gradual rate ([DWP, 2010f](#)).

While the Welfare Reform Bill will legislate for the abolition of HB, Universal Credit will include an amount for housing costs which [DWP \(2010f\)](#) says will be broadly similar to the support currently provided through HB or the Support for Mortgage Interest Scheme.

Although there are currently no plans to move pension-age claimants on to Universal Credit, the Bill introduces a new housing credit which will replace HB for claimants who have reached the qualifying age for state pension credit.

A phased approach to the introduction of Universal Credit is planned, with the first individuals expected to enter the new system from 2013, followed by the gradual closure of existing benefits and tax credits claims and their transfer to Universal Credit by 2017/18.

While the majority of organisations representing customers' interests have welcomed the intention of Universal Credit to make work pay and combat unemployment and poverty, several have concerns about the lack of detail in the White Paper and the impact of the proposals on disadvantaged and vulnerable groups ([House of Commons, 2011](#)).

2 Impact of the changes on black and minority ethnic communities

As HB is paid to people on a low income, the planned cuts in benefit will affect the poorest and most vulnerable. Black and minority ethnic communities will be disproportionately affected as they are more likely to be unemployed or to have a low income. Approximately two-fifths of people from minority ethnic communities live in low-income households, twice the rate for white people. There are also significant variations between ethnic groups, which are shown in the table below.

Table 1 *Low-income working and non-working households by ethnicity*

	Percentage of people living in low-income working households	Percentage of people living in low-income non-working households
White people	10	20
Indians and Black Caribbeans	15–20 *	30
Black Africans	30	50
Pakistanis	50	60
Bangladeshis	65	70

* This figure includes White Other.

(Source: adapted from [Palmer/The Poverty Site, 2010](#))

The effect of the changes on black and minority ethnic communities is acknowledged by HM Treasury: *'Some services are used more by particular ethnic groups, including services targeted on people on low incomes: people from ethnic minorities are more likely than average to be in households on low incomes'* ([HM Treasury, 2010b](#), p. 12).

Some of the changes that affect larger families – for example, the four-bedroom cap for LHA claims and the steep increase in non-dependant deductions – are more likely to impact on black and minority ethnic households or families as they are often larger or more likely to have children.

Based on internal modelling using their Policy Simulation Model, DWP estimates that of the households that are likely to be affected by the cap, approximately 30 per cent will contain somebody who is from a black and minority ethnic background, while minority ethnic communities form less than 20 per cent of the overall benefit population ([DWP, 2011](#)).

Around half of Bangladeshi and Pakistani children and around a third of black African children are in families of three or more children, compared to around a sixth of white British children. Bangladeshis, Pakistanis and Indians are much more likely to live in extended families than other ethnic groups. For example, of the people surveyed in the government's 2004/05 Family Resources Survey, around half of Bangladeshis, Pakistanis and Indians were living in extended families, compared to around a quarter of the other ethnic groups ([Kenway and Palmer, 2007](#)). Research into the needs of the Somali community in Birmingham ([Jones, 2010](#)) found that eight-person households were common.

The capping and reduction of LHA rates will restrict the accommodation available to people receiving benefits. At present, LHA rates are calculated at the median or midpoint of local private sector rents. This means that half the rents in the area are at or below LHA levels. Setting the rate at the 30th percentile reduces the number of properties available to people receiving HB to the bottom 30 per cent of the rental market, forcing them into potentially poorer quality accommodation, for which there will be greater demand.

HB for single people will also be reduced by the extension of the shared room rate to those under the age of 35 (from 25), which will limit their options when looking for accommodation and may force them to move to cheaper, non-self contained properties or unsuitable overcrowded conditions.

The impact of this reduction and the overall caps on LHA will be felt most acutely in areas where rent levels are above the national average. Although the LHA changes are intended to address levels of HB paid in areas with high rents, including Central London (around 50 per cent of people living in inner London are from black and minority ethnic communities: [Kenway and Palmer, 2007](#), p. 5), they could also affect people living in rural areas as they could potentially limit the number of available affordable rental properties.

The changes could also reduce the number of properties available if landlords decide to stop renting to HB claimants or even to leave the rental market.

The wider impacts of the resulting population movement include:

- the risk of households falling into rent arrears, leading to debt or eviction;
- an increase in the numbers of households that present themselves as homeless;
- the effects on children's schooling, on health care arrangements or on social services support;
- the impact on community cohesion by displaced black and minority ethnic tenants moving to new areas for affordable housing.

A study for Shelter, carried out by the Cambridge Centre for Housing and Planning Research, reports that the cuts to LHA are likely to place up to 269 000 households into serious difficulty, with up to 134 000 of these having to move or become homeless. Seventy-two thousand of these are families, equating to 129 000 children ([Shelter, 2010](#), p. 2).

Cuts in legal aid and in local authority funding of advice provision will reduce the opportunities for claimants affected by the HB changes to find expert professional help and advice.

There are limited options for those affected by the reduction in their HB. Some may be able to make up a small shortfall themselves or renegotiate their rent with their landlord. (DWP has suggested that these cuts will drive down rents.) Local authorities may at their discretion top up HB with a DHP where they consider that the claimant needs some additional assistance to meet their housing costs, but, although central government has increased DHP funding, it is unlikely to be sufficient to help everyone who needs it.

3 Families with children

DWP estimates that 48 per cent of the 450 000 households affected by the LHA changes will include children ([DWP, 2010a](#), p. 15).

Research indicates that child poverty rates for black and minority ethnic families in the UK are higher than the national average. Significant numbers of Bangladeshi, Pakistani and black African families contain three or more children (DWP, *Ethnicity and Child Poverty*, cited by [Willis, 2010](#), p. 1). Statistics available up to 2007 show poverty rates for:

- Black Caribbean children – 26%
 - Indian children – 27%
 - Black African children – 35%
 - Pakistani children – 54%
 - Bangladeshi children – 58%
- (DWP, *Ethnicity and Child Poverty*, cited by [Willis, 2010](#))

As housing is one of the contributory factors to child poverty, the cuts to HB are likely to intensify this disparity.

The effects of families having to move to find cheaper or other accommodation include:

- moving from family and/or support networks;
- social services losing contact with families with children at risk;
- disruption to education where children have to change schools, particularly if they are approaching exams or attend a school with facilities for children with disabilities;
- compromising the quality and standard of housing required.

From October 2011 the majority of new lone parents whose youngest child is aged 5 or over will no longer be eligible for Income Support and will have to claim Jobseeker's Allowance (JSA) instead. Existing Income Support claimants will be transferred to JSA from April 2012. This means that they will be subject to the intensive work and sanctions programme described in the next section.

Recent analysis of the Universal Credit proposals ([Brewer *et al.*, 2011](#)) and the changes to HB announced in the June 2010 budget statement (House of Commons, 2010) also shows that lone parents will on average lose in the long run.

4 Unemployed claimants

The changes are intended to reduce unemployment by introducing tougher sanctions for people deemed able to look for or prepare for work. However, the lack of jobs and, more critically, the lack of prospects of job growth during the current recession makes the opportunity for black and minority ethnic groups in particular to escape the cycle of benefit dependency even more remote.

Black and minority ethnic communities are disproportionately represented among workless households. The proportion of Bangladeshi and black African households who are workless (30–35 per cent) is more than double the proportion for white British households. The proportion of Pakistani and black Caribbean households who are workless (25 per cent) is a little lower but still much higher than for white British households. Only 10 per cent of Indian households are workless ([Kenway and Palmer, 2007](#), p. 35).

It is likely that the number of people receiving JSA, and consequently subject to an intensive work and sanctions programme as a condition of receiving benefit (conditionality), will increase. This is due partly to the current economic climate, but is also a result of the migration of people receiving Incapacity Benefit on to Employment and Support Allowance (ESA) or on to JSA if they do not satisfy the conditions for ESA. In August 2010 (the most recent data available at March 2011) there were just over 2 million people claiming Incapacity Benefit or Income Support on the grounds of incapacity ([DWP, 2010e](#)).

The requirement for individuals to look for or prepare for work as a condition of receiving benefit will be strengthened from 2011. Before Universal Credit is introduced, people receiving Income Support, JSA and ESA will be required to have a claimant commitment (which includes conditionality). This will be carried forward into Universal Credit. Those who fail to do this could face a financial sanction. Currently this is not a condition of receiving HB, but this requirement will be extended to people receiving

Universal Credit when it is introduced. Young claimants, those with large families and those belonging to black and minority ethnic groups are at heightened risk of sanctions ([Griggs and Evans, 2010](#), p. 6).

5 People with disabilities and/or health issues

Survey evidence suggests that people from black and minority ethnic communities, other than those of mixed ethnicity, are less likely than white people to claim incapacity benefits to which they are entitled (DWP, 2010b).

Receipt of certain benefits, such as Disability Living Allowance (DLA) and Incapacity Benefit, often qualifies claimants to be treated as 'disabled' and therefore entitled to additional benefit and/or exemption from certain cuts.

Although the changes to HB apply mainly to working-age claimants, some will not apply to people with disabilities; for example, people receiving DLA will be exempt from capping. However, the Welfare Reform Bill proposes to replace DLA with the Personal Independence Payment for which the eligibility conditions appear to be more stringent.

The following changes apply to people who are treated as disabled within the HB scheme. If people from black and minority ethnic communities do not claim the qualifying benefits they are entitled to, they may face reduced benefit or inappropriate application of the legislation as they will not receive the protection given to people who meet the relevant criteria.

People with learning and other disabilities are increasingly offered tenancies in the private rented sector as an independent living option. These properties will often have been adapted for their needs or include a support package to help them remain in the accommodation. If they have to move, they could lose access to nearby transport links and contact with informal carers and support networks. The new local authority will have to assess their needs, which could lead to gaps and delays in new arrangements being put in place.

DWP estimates that the extra HB for an additional bedroom where the claimant or their partner has a disability and needs overnight care from a non-resident carer will benefit around 10 000 HB recipients ([DWP, 2010c](#), p. 18). However, this could be offset by the impact of the other changes to LHA.

Current Incapacity Benefit claimants who are moved on to JSA rather than ESA (as described above) will be subject to an intensive work and sanctions programme.

Although the extension of the shared room rate to single people under 35 will not apply to those with the most severe disabilities, it could affect people with mobility problems or lower level care needs or those who are not treated as 'disabled' as they have not claimed a qualifying benefit.

DWP has recently commissioned research into exempt and supported accommodation occupied by vulnerable people, including those with learning and physical disabilities. This found that HB claims from people living in this accommodation are complex to administer and that spending in this area is increasing. Although there are no current proposals for changes to the legislation relating to these claims, the report concluded that changes were needed ([Boath *et al.*, 2010](#)).

6 Preparation for change

Although the first group of changes do not become effective until April 2011, local authorities and their partners should already have started preparing for them. This could include:

- Developing a communications strategy to ensure that information about the changes is publicised, in Plain English and the main languages spoken locally, to:
 - Housing Benefit claimants;
 - potential claimants;
 - tenants and landlords in the private and social rented sectors.
- Maximising the use of Discretionary Housing Payments by:
 - reviewing the DHP policy and ensuring that an equality impact assessment has been carried out;
 - publicising DHPs and how to claim them;
 - ensuring that as much of the DHP budget as possible is spent.
- Working in partnership to mitigate the effects of the cuts in Housing Benefit; partners could include the local authority Housing Benefit service, the social rented sector, private landlords and letting agents, advice providers, local community groups, customer representatives and the voluntary sector.

Conclusion

The changes to HB announced by the coalition government will affect most working-age claimants. However, many of the cuts are more likely to impact on black and minority ethnic claimants. DWP has recognised that it has insufficient data to measure the specific impact of the changes to LHA on this group and is commissioning a comprehensive and thorough external evaluation of the impact of the proposed HB caps in both Greater London and rural communities, as well as their effect on minority ethnic households, large families, older people and disabled people. Initial findings will be available in spring 2012, with an interim report to follow in the summer of that year.

The Welfare Reform Bill 2011 provided more information about Universal Credit, but we will have to wait for the Regulations for the details. The final legislation and timetable may change during the parliamentary process. There are still many unanswered questions about the changes and their full impact. It is hoped that this information will be provided as the details of the new arrangements are published.

Resources

Chartered Institute of Housing briefings

www.cih.org

The Chartered Institute of Housing is the professional body for people involved in housing and communities.

Local Government Information Unit

<https://member.lgiu.org.uk/briefings/2011/Pages/201100872.aspx>

The Local Government Information Unit is a think tank and membership organisation which aims to strengthen local democracy. It provides practical policy advice, learning and development programmes, events and conferences, consultancy and other resources to members and other organisations.

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