



July 2014

The health impacts of welfare reform

Key points

- The impact that welfare reform will have on people's health and wellbeing in Wales cannot be underestimated.
- There are several reports available which predict the health impacts of the current welfare benefit changes. The consistent predictions are an increase in a wide variety of health-related conditions.
- It is now the time for all sectors in Wales to work together in an integrated and holistic way to minimise the health and wellbeing implications for people in Wales affected by welfare reform. Through supporting each other we will ensure positive outcomes for people.

Introduction

This briefing summarises the changes that have been introduced as a result of the Welfare Reform Act 2012, considers the likely impact it will have on people's health in Wales and calls on all sectors across Wales to work in an integrated way.

Welfare reform was introduced because the UK Government believed that the current system is too complex and there are insufficient incentives to encourage people on benefits to start paid work or increase their hours.

The UK Government says it is "aiming to make the benefit system fairer and more affordable to help reduce poverty, worklessness and welfare dependency and to reduce levels of fraud and error".

Welfare reform – impact in Wales

The Welsh Government has recently calculated that the coalition government's reforms to benefits and tax credits will cost Wales around £900 million a year by 2015-16.¹ To date there has been no Welsh specific evidence around the impact the reforms are having on people's health and wellbeing in Wales. However, through reviewing current research and evidence available, the likely impact on people and the health service are:

- A growing demand for services;
- Potentially more suicides and attempted suicides, possibly more homicides and domestic violence;
- An increase in mental health problems, including depression, and possibly lower levels of wellbeing;
- Possible negative longer-term health effects;
- Increased cardiovascular and respiratory illness;
- Increases in obesity-related illnesses;
- Increases in avoidable winter mortality;
- Increased substance misuse, and associated alcohol- and drug-related harms;
- Increased unprotected sex and associated rises in sexually transmitted infections; and
- Longer-term increases in health inequalities.

With Citizens Advice Cymru currently conducting research examining the cumulative impact of welfare reform on benefit claimants in Wales, we will hopefully have specific evidence on how the benefit changes are impacting people's general health and well-being in Wales.

Background to Welfare Reform

Wales has the one of the highest dependencies on welfare in Britain and the reforms are having a significant impact on people in Wales. Between one in three and one in four residents in Wales live below the headline; one in six working-age residents claim out-of-work benefits (second only to the north-east of England), and just over 9% of these are on incapacity benefits.²

The Welfare Reform Act 2012 makes changes to the rules concerning a number of benefits. The main elements of the legislation includes: the introduction of Universal Credit; phasing out of Disability Living Allowance (DLA) and replacement with Personal Independence Payment (PIP); reform of Housing Benefit; changes to the Social Fund; reform of Employment and Support Allowance and changes to child support.

Universal Credit:

Replaces six of the main means-tested benefits and tax credits: income-based Jobseeker's Allowance; income-related Employment and Support Allowance; Income Support; Housing Benefit; Council Tax Benefit (CTB) and Child Tax Credit and Working Tax Credit. The benefit operates as a single payment to claimants and will be available to working people on a low income and the unemployed. A number of Universal Credit Pathfinder projects begun in April 2013, with the first Welsh Pathfinder beginning in Shotton in April 2014. The scheme is due to be rolled out across the UK by 2018. This benefit is now to be paid in a single monthly payment which can cause significant budgeting difficulties for people.

Council Tax Support:

As of April 2013, Council Tax Benefit was replaced with a new system called Council Tax Reduction (CTR) schemes, offered under the Universal Credit scheme. Under the reformed system, the responsibility for assessment of claims and payments is shifted to local authorities, which are empowered to set their own local criteria and benefit amounts. In England, there are big differences between the CTR schemes in different local authorities, compounded by a 10% cut to funding received from the UK Government. In Wales, Welsh Government addressed the funding gap by allocating in excess of £40m to ensure local authorities could assist those who had previously received CTB. However, this is due to change from April 2015, when the Welsh Government will introduce their new scheme, on which they are currently consulting.

Housing Benefit:

Under the Act, Housing Benefit criteria now takes into consideration the number of rooms and number of people occupying a property and restricts payments to allow for one bedroom per person or per couple. If it is deemed that there are too many rooms in a rented dwelling for the number of occupants, an "under-occupancy penalty" is applied which reduces housing benefit by 14% for one extra room and by 25% for two or more extra bedrooms. This aspect of the Act has been popularly referred to as the "Bedroom Tax".

Benefit Cap:

From April 2013 the Act now limits the total amount of money available to social security claimants. Total benefits paid to a single person may not now exceed £350 per week; the maximum available to families (single parents and couples with children) is £500 per week.

Personal Independence Payment:

PIP came into force across the UK for people making a new claim in June 2013 and from October 2015 the Department for Work and Pensions (DWP) will start contacting anyone still getting DLA and inviting them to make a new claim for PIP. Claimants are required to undergo assessments to prove their eligibility for the benefit. Payments are varied according to the severity of disability as decided by the tests and relate to ability to carry out daily living activities and level of mobility. Claimants are also required to undergo periodic re-assessments to ensure ongoing eligibility for the benefit; depending on the type of disability, a person may be given a short award of up to two years or longer PIP award which would last for up to five or ten years. Responsibility for the tests has been outsourced by the DWP to Capita Business Services Ltd in Wales. There have been significant delays in people receiving their PIP, sometimes six months, as highlighted on the BBC in April³, with assessments taking double the time originally anticipated. The National Audit Office has highlighted that the slow processing of claims is causing people "distress and financial difficulties".⁴

Social Fund:

Crisis Loans and Community Care Grants from the DWP Social Fund ended on 31 March 2013. From April 2013 the Discretionary Assistance Fund (DAF) is operating throughout Wales which can make Emergency Assistance Payments to help in an emergency or when there is an immediate threat to health or wellbeing, and Individual Assistance Payments, to help people live independently in the community.

Research around the impact of welfare reform

a) Welsh Government research

Since the introduction of welfare reform the Welsh Government has been working with partners, such as local authorities and charities, and the UK Government to understand the impact and consequences for people living in Wales. The work has included:

- Introducing a Minister and Deputy Minister whose responsibilities include tackling poverty and welfare reform (Jeffrey Cuthbert AM, Minister for Communities and Tackling Poverty and Vaughan Gething AM, Deputy Minister for Tackling Poverty);
- **Analysing the impact of the UK Government's welfare reforms in Wales:** The Welsh Government established a cross Ministerial Task and Finish Group on welfare reform and commissioned a three-stage programme of research to assess the impact of the UK Government's welfare reforms in Wales. The **Stage 1 report**, published in February 2012, analysed the existing evidence on the cumulative impact of the tax and benefit changes

on individuals and households in Wales. The **Stage 2 reports**, published in February 2013, estimated the direct effects of the main welfare reforms on household incomes in Wales, and provided a detailed assessment of the wider economic and social impacts of welfare reform and potential implications for devolved public services in Wales. The **first part of the Stage 3** research, published in July 2013, assessed the impacts of the welfare reforms on those with protected characteristics (e.g. gender, age, disabled people, and race and ethnicity) while the **second part**, published in February 2014, assessed the impact on local authority areas in Wales;

- **Findings from the report:** The Welsh Government reports highlight the likely impact that the Reforms will have on the health service, including⁵,
 - Increased pressure on health services in Wales;
 - People reducing their spending on essentials like food in order to have sufficient money to pay their fuel bills, leading to poorer health outcomes;
 - Housing benefit reforms may force some benefit claimants into poor-quality or overcrowded housing, or may even lead to homelessness, which could result in negative health and well-being impacts;
 - Frequent childhood moves are associated with poorer health outcomes.
- The Welsh Government **Tackling Poverty Action Plan**, published in July 2013, recognises that poverty imposes enormous costs on society and increased demands on public services such as health care.

b) Hitting the poorest places hardest: The local and regional impact of welfare reform (Sheffield Hallam University April 2013)

The research highlights the areas in Great Britain which are worst affected by welfare reform. The research found that half of the ten local authority areas worst affected by the replacement of Disability Living Allowance and Incapacity Benefit are from Wales (Neath Port Talbot, Merthyr Tydfil, Blaenau Gwent, Caerphilly and Rhondda Cynon Taf).

“Half of the ten local authority areas worst affected are from Wales.”

c) Citizens Advice Cymru research

Citizens Advice Cymru has commissioned research examining the cumulative impact of welfare reform on benefit claimants in Wales. The project is looking at how benefit changes are impacting on different areas of people's lives, including their general health and well-being.

The present evidence from the Bureau across Wales highlights that the recent changes to benefits are already having a significant impact on many people. Citizens Advice Cymru were interested in building on this evidence to gain a more detailed picture of the "day-to-day experience" of the changes and therefore commissioned Shelter Cymru to undertake bespoke qualitative research to examine the cumulative impact of existing and future welfare reforms on benefit claimants in Wales. One of the target groups for the research is people living with a disability/long-term health condition. The research will consider people's coping mechanisms for managing the changes and to what extent the changes are affecting/have affected their day-to-day lives, including the potential impact on their current and future living arrangements; behaviours; personal relationships; mental and physical health and ability to find work. The research findings will be combined with Bureau evidence and written up into a policy report to be published in July.

d) Surviving austerity (New Economics Foundation 2013)

The report highlights that the burden of reducing Britain's deficit is falling predominantly on those who get support from public services and welfare. As part of this research they interviewed a diverse range of local people who shared experiences of everyday insecurity, an unravelling safety net, precarious employment, and a growing demand for unpaid labour.

The findings from the report included a growing demand for public services, including local authority services. The report evidenced that there are demographic pressures that are increasing service demand, especially in adult social care due to an ageing population. The recession has increased demand for services as more people lose their jobs and struggle to meet their basic needs. The increase in demand for crisis services, such as food banks and debt advice, is one example. Other services affected include housing, welfare advice, and mental and physical healthcare.

“The recession has increased demand for services as more people lose their jobs and struggle to meet their basic needs.”

e) The Impact of Welfare Reforms (The Centre For Welfare Reform 2013)

The report examines the impact welfare reform is having on mental health service users who live in the North East of England. Summary of findings include:

1. The current welfare system is unfit for purpose;
2. It is dehumanising / degrading for people to go through;
3. The process has a negative impact on health and wellbeing; and
4. There is a negative impact on financial resources for service users.

The report found that participants in the research described living in a constant state of increased anxiety, dread and distress which they experience in the "revolving door" or "vicious cycle" of forms, appeals, tribunals and reassessments that they are subject to within the system. This increased state of anxiety has a significantly negative impact on their health and wellbeing. The report states *"their continual involvement in a system which requires them to prove their incapacity to work, and therefore to detail their inabilities and illnesses, is in direct conflict with a positive focus on abilities and future steps, which supports their recovery, and their sense of competency in their ability to return to work. The financial implication for applicants within the system also has significant negative impacts on their health and wellbeing.... This increased anxiety and distress directly compounds their abilities to live positively with their mental health difficulties, to move towards their recovery and to seek employment"*.

f) The Impact of the Economic Downturn and Policy Changes on Health Inequalities in London (UCL Institute of Health Equity)

Evidence from previous economic downturns suggests that across the population there will be short term and long term health effects, including:

- More suicides and attempted suicides; possibly more homicides and domestic violence;
- Fewer road traffic fatalities;
- An increase in mental health problems, including depression, and possibly lower levels of wellbeing;
- Worse infectious disease outcomes such as tuberculosis and HIV;
- Possible negative longer-term health effects.

An economic crisis is likely to have a significant impact on the social determinants of health. Evidence from past recessions suggests that inequalities in health according to socioeconomic group, level of education and geographical area are likely to widen following an economic crisis.

g) Making a bad situation worse? The impact of welfare reform and the economic recession on health and health inequalities in Scotland (Scottish Public Health Observatory October 2013)

This report provides a framework for the evaluation of the health and health inequalities impact of the current wave of welfare changes and the current economic downturn. The report states that it is currently too soon to evaluate the impacts of either the economic recession or welfare changes using routine health data.

The report found that although there is a clear relationship between income and health for individuals within societies, the impacts of recession on the health of whole populations and on health inequalities are less clear. There is evidence that some aspects of health tend to get worse during recessions (e.g. suicide) and others improve. There is also evidence that some of the negative health impacts of recession may be delayed (e.g. cardiovascular disease and health inequalities).

The report states that it is becoming increasingly clear that the policy response to recession is an important determinant of whether health subsequently improves and whether health inequalities widen. The impacts of recession (and the policy responses to the recession) may impact differentially across the population (e.g. by gender, income group, social class, disability). It has been found that countries which pursue active labour market policies and provide improved social and welfare protection have populations with better health than those which do not, and those which pursue neo-liberal policies (i.e. reduced market regulation, increased privatisation and decreased universality of welfare provision) tend to see health inequalities widen.

Predicted health impacts of the welfare benefit changes

There are several reports available which predict the health impacts of the current welfare benefit changes.

The consistent predictions are:

- increased cardiovascular and respiratory illness;
- increases in obesity-related illnesses;
- worse mental health and general wellbeing;
- increases in avoidable winter mortality;
- increased suicide and attempted suicide;
- increased homicides and domestic violence;
- increased mental health problems including depression and lower levels of wellbeing;
- increased rates of tuberculosis and human immunodeficiency virus (HIV);
- increased substance misuse and associated alcohol- and drug-related harms;
- increased unprotected sex and associated rises in sexually transmitted infections;
- increased health inequalities.

The mechanisms which have been proposed to lead to these health outcomes include:

- decreased real incomes;
- increased income inequalities;
- increased fuel poverty;
- increased food poverty (and a consequent shift from quality foodstuffs to calorific quantity);
- increased stigmatisation;
- decreased housing security; and
- psychological impacts of unemployment and job loss.

These predictions are based on what is already known about the impact of these mechanisms on health and health inequalities, and the assumption that the current welfare reforms will have the effect of creating the conditions in which significant proportions of the population will be affected by these mechanisms. Overall, however, it is clear that there is still uncertainty around the range of health impacts, their magnitude and their timing. The report finds that *“there is general consensus that income inequalities do impact on health inequalities”*.

The health impacts of economic recession are far from clear. However, it is suggested that there are likely to be a small number of specific negative and positive impacts (which are very similar to those described as the likely impacts of the welfare reforms above).

Recommendation: Working in an integrated and holistic way

As the Welsh NHS Confederation “Rhetoric to Reality”⁶ discussion paper evidences, the NHS, and all sectors in Wales, must work in an integrated and holistic way because: *“In public services, we are only as strong as our weakest link”*.

In serving the public the NHS must consider its own success with regard not only to treating healthcare needs, but more importantly, in relation to the ability of other sectors to impact on the quality of life for individuals. As our recent paper highlights: *“Health and healthcare must be premised on how we best support people to maintain their health, with the aim of eliminating or reducing their potential to require NHS services, and we must work in an integrated way with all sectors across Wales”*. No sector should work in isolation when considering the impact that poverty and welfare reform has on their service users/ patients.

Providing holistic and integrated support to people is supported by Welsh Government policy, including the “Tackling Poverty Action Plan 2012-2016”. The Plan describes initiatives that place multidisciplinary teams around families to provide a holistic approach to addressing the various factors relating to poverty. The plan reflects the cross sector approach that is needed to tackle poverty effectively.

The NHS must build on how it might improve its ability to work and support partners and colleagues in other sectors, including social services, housing, education, transport, criminal justice and third sector, to reflect the multi-disciplinary demands required to run public services in a holistic way. This will in turn help reduce overall demand on health and drive improvements across the board. The Welsh NHS Confederation recommends that all sectors in Wales work in an integrated way to share knowledge, intelligence and experiences to tackle poverty and to ensure positive outcomes for the Welsh population.

“The recession has increased demand for services as more people lose their jobs and struggle to meet their basic needs.”

Join the discussion

Let us know what you think about the issues and ideas in this briefing. You can email us at

Nesta.Lloyd-Jones@welshconfed.org or join the discussion on twitter @WelshConfed.

The Welsh NHS Confederation

The Welsh NHS Confederation is a membership body representing all the organisations making up the NHS in Wales: seven Local Health Boards and three NHS Trusts.

We support our members to improve health and well-being by working with them to deliver high standards of care for patients and best value for taxpayers’ money. We act as a driving force for positive change through strong representation and our policy, influencing and engagement work.

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¹Welsh Government, February 2014. Analysing the Impact of the UK Government’s Welfare Reforms in Wales – Stage 3 Analysis Part 2: Impacts in Local Authority Areas

²Cuts Watch Cymru, October 2012. Benefits Briefing

³BBC Wales, April 2014. Benefit claim assessments take “double time”, says Capita <http://www.bbc.co.uk/news/uk-wales-26951224>

⁴National Audit Office, 27th February 2014. Personal Independence Payment: early progress

⁵Welsh Government, February 2013. Analysing the impact of the UK Government’s welfare reforms in Wales – Stage 2 analysis, page 33 – 45.

⁶The Welsh NHS Confederation, January 2014. From Rhetoric to Reality – NHS Wales in 10 years’ time.