

<p><b>Working Age Benefits Division</b></p> <p><b>Strategy Group</b></p>	<p><b>Explanatory Memorandum for the Social Security Advisory Committee</b></p>	
	<p><b>The Social Security (Waiting Days) Regulations 2014</b></p>	
<p><b>For the meeting of the Social Security Advisory Committee on 7 May 2014</b></p>	<p><b>DWP</b> Department for Work and Pensions</p>	

# Contents

	<b>Page</b>
<b>1. Introduction.....</b>	<b>2</b>
<b>2. Commencement and application of the proposed changes.....</b>	<b>2</b>
<b>3. Explanation, purpose and effect of the proposed changes.....</b>	<b>2-4</b>
<b>4. Impacts of the proposed changes</b>	
Impacts on equality and diversity.....	5
Impact on complexity and operations.....	5
Impact on business, charities and voluntary bodies .....	6
Impact on child poverty.....	6
Impact on rural communities.....	6
<b>5. Consultation on the proposed changes .....</b>	<b>6</b>
<b>6. Information and communications strategy for the proposed changes.....</b>	<b>6</b>
<b>7. Monitoring and evaluation of the proposed changes.....</b>	<b>7</b>

# **1. Introduction**

1.1 The Department for Work and Pensions is putting a small package of amendments before the Social Security Advisory Committee, designed to amend the following items of secondary legislation -

- regulations 141(2) and 46(2) of the Jobseeker's Allowance Regulations 1996 (SI 1996/207)
- regulation 144 of the Employment and Support Allowance Regulations 2008 (SI 2008/794)
- regulation 36(2) of the Jobseeker's Allowance Regulations 2013 (SI 2013/378)
- regulation 85 of the Employment and Support Allowance Regulations 2013 (SI 2013/379); and

## **2. Commencement and application of the proposed changes**

2.1 The proposed changes are intended to come into force in October 2014. They will apply, with some exceptions, to all new claims for Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) made in respect of a period which starts on or after the commencement date.

2.2 Claimants who are protected from service of waiting days by the existing exemption provisions (which the Department proposes to carry forward unchanged) will be unaffected by the proposed change. (See paragraph 3.7)

## **3. Explanation, purpose and effect of the proposed changes**

3.1 The Budget statement of 19 March 2014 announced that the number of waiting days in Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) would be increased from 3 to 7.

3.2 Waiting days are the days at the start of a claim in respect of which claimants (who otherwise satisfy the conditions of entitlement) are not entitled to benefit. Within JSA and ESA, waiting days apply to both contribution-based and income-based benefit entitlement.

3.3 This proposed change will therefore have the effect of reducing the value of the first benefit payment made to a claimant.

3.4 This policy change is intended to generate savings which are to be invested into several new labour market measures to get people off benefits and into work. For example, the money will be spent on measures to improve English language skills of claimants and provide more resources to support lone parents to return to employment.

3.5 The fundamental principle behind a waiting days policy is that benefits are not intended to provide financial support for very brief breaks in employment or periods of sickness. Many people affected by this measure will be coming to benefits from relatively well paid jobs. Their final earnings are disregarded in the assessment of their benefit, so it is reasonable to expect them to use those earnings to budget for an initial period of unemployment.

3.6 The aim of the policy is also to discourage people from claiming benefit when they only have a short gap between jobs or a short period of sickness. But if claimants have no job to go to, the increase in waiting days will encourage them to claim more quickly so that they don't lose out on their entitlement and can access the labour market support we have available at the earliest opportunity.

#### Exemptions

3.7 This change will not affect all new JSA and ESA claims. Rules already exist to exempt claimants from serving waiting days in certain circumstances. These exemptions generally apply where a claimant has had a linking claim to another benefit within the last 13 weeks, including JSA, ESA, Income Support and Carer's Allowance. In addition, JSA claimants who are under 18 years old and in severe hardship and ESA claimants who are terminally ill are exempt from serving waiting days. These exemptions will continue unchanged after waiting days are increased to 7.

#### Impact on claimants

3.8 Our analysis indicates that approximately 70% of new JSA claimants and 40% of new ESA claimants will need to serve waiting days at the start of their claim because their circumstances do not fall within one of the reasons for exemption as described in paragraph 8 above. Some of these claimants will of course have other financial support available to them during the first few days of their claim, and consequently may be considered to be not at risk of financial difficulty during those first few days.

3.9 For those that may be most at risk of financial hardship, the tables below provide a breakdown of their circumstances:

<b>70% of JSA new claimants will serve waiting days</b>
Of which, 60% will not have been employed or received a redundancy payment in the previous 3 months
Of which, 35% will be in a benefit unit without capital over £1,500 or income over £150 per week
<b>This means around 15% of new JSA claimants may be most at risk of financial hardship</b>

<b>40% of ESA new claimants will serve waiting days</b>
Of which, 80% will not have been employed or received a redundancy payment in the previous 3 months
Of which, 21% will be in a benefit unit without capital over £1,500 or income over £150 per week
<b>This means around 7% of new ESA claimants may be most at risk of financial hardship</b>

3.10 For 2015/16, we estimate that around 1,680,000 new JSA claims and 550,000 new ESA claims will be made. Of these, around 1,180,000 JSA and 166,000 ESA claimants will need to serve waiting days. The above analysis indicates that for 2015/16, the number of new claimants likely to be most at risk of suffering financial hardship are around 245,000 in JSA and 35,000 in ESA.

3.11 The estimated average loss of benefit to each claimant from this policy change is £40 for JSA claimants and £50 for ESA claimants.

#### Support for claimants in financial need

3.12 New claimants who are in financial need at the start of their claims may apply for a Short Term Benefit Advance. These payments provide an advance of up to 60% of a claimant's first full benefit payment and are repaid through deductions from subsequent benefit payments. Where entitlement to such an advance exists, it can provide a way of smoothing the impact of the increase in waiting days across a longer period.

3.13 Waiting days do not apply to other benefits that a claimant may receive. Payments to JSA and ESA claimants for housing costs and children are therefore unaffected by waiting days.

#### Financial Implications

3.14 The implementation costs for delivering this policy change are approximately £1m for the required IT system changes.

3.15 The increase to 7 waiting days in JSA and ESA is expected to generate savings of approximately £50m in 2015/16. Those savings will decrease significantly beyond 2015/16, as new claims to Universal Credit are rolled out nationally. Once the full UC roll out has been completed, small savings will continue to be generated from the continued new claims to the contribution based JSA and ESA.

#### Waiting Days in Universal Credit

3.16 It is proposed that 7 waiting days be introduced into UC, from April 2015. The exact details of how waiting days will be applied in UC have yet to be finalised, but it is likely to apply to people in the full conditionality group (which is broadly equivalent to the client groups who claim ESA and JSA under legacy arrangements). However, UC is a monthly benefit which includes amounts for housing costs and children, so the potential hardship for claimants is much greater. Therefore, it is likely that the detail of the UC policy will differ from that for ESA and JSA. For example, consideration is being given to exempting certain vulnerable groups, namely ex-prisoners, care leavers and domestic violence sufferers, from serving waiting days. The relevant legislation to introduce waiting days into UC will be presented to SSAC at some future date.

## 4. Impacts of the proposed changes

### Impact on equality and diversity

4.1 To meet the requirements of the Equality Act 2010, the Department for Work and Pensions carries out Equality Analysis on any measures it proposes. Such an assessment considers the potential impact of the proposed policies in terms of the protected characteristics (disability, ethnicity and gender), and the additional protected characteristics (age, gender reassignment, sexual orientation, religion or belief, marriage and civil partnership, and pregnancy and maternity) and helps to ensure that the Department's strategies, policies and services are free from discrimination.

4.2 In respect of the proposed change, the analysis (held at **Annex 3**) has identified that there is an impact for claimants with defined disabilities because of the increase in waiting days in ESA. This is due to the relatively high proportion of people with defined disabilities who claim ESA compared to the general working population. However we believe that this change is required in order to deter short term claims to benefit. Mitigation for this adverse impact exists through the provision of short term benefit advances, and through an existing exemption to serving waiting days for new ESA claimants who have a terminal illness.

### Impact on complexity and operations

4.3 Changes to the JSA and ESA IT platforms and operational processes will be required, to ensure that new JSA and ESA claimants are made aware of the increase to waiting days during the new claims process. These changes will be predominantly to IT systems and to a lesser extent to operational processes.

Increasing waiting days will not impact on the speed of processing of claims at benefit centres, which will continue to be processed to current targets.

4.4 JSA claimants will be advised during their New Jobseeker Interview (NJI) of the requirement to serve waiting days. It is standard practice for a JSA Personal Advisor to explain the claim process to the claimant and the change to waiting days would be an extension of this process. The current desk aid for JSA Personal Advisor interviews will be enhanced to include an explanation of waiting days in the conversation.

There is a possibility of a small increase in footfall if claimants decide to visit Jobcentres to query the amount of their first payment. Lines to take will be provided to manage such queries. Where financial need is indicated the claimant will also be signposted to the support available.

4.5 ESA new claims do not involve face to face contact, so Contact Centre scripts for the new claims process will be amended to explain that claimants may have to serve 7 waiting days before benefit is put into payment. Contact Centre Agents will direct the claimant to the Short Term Benefit Advance process where the claimant declares financial need.

Impact on business, charities and voluntary bodies

4.6 The Department does not consider that this proposal would have any impact on business or charities.

Impact on child poverty

4.7 Child Poverty Unit have advised that the change from 3 to 7 waiting days will have no measurable impact on child poverty levels, although there is a risk that it may increase reliance on short term loans. Transferring money saved from this measure to new work-focused activities aims to tackle the root causes of poverty by moving people into work. As noted above, benefits for children (Child Tax Credits and Child Benefit) are not affected by waiting days.

Impact on the sustainability of rural communities

4.8 The Department does not consider that the proposals would have any impact on the sustainability of rural communities.

## **5. Consultation on the proposed changes**

5.1 It was not possible to undertake an external consultation before the policy change to increase waiting days was announced.

5.2 The proposal does not impact on legislation in respect of Housing Benefit so no consultation with the Local Authority Associations has been required.

## **6. Information and communications strategy for the proposed changes**

6.1 All JSA and ESA claimants will now be advised of the requirement to serve waiting days when they make a claim to JSA or ESA. The existing process for ESA and JSA affords DWP operational staff opportunities to communicate these changes. Different approaches will be taken for JSA and ESA due to the differing nature of interaction these claimants experience. In all instances the claimant will:

- be informed about the possible requirement to serve 7 waiting days;
- have the entitlement conditions explained to them; and
- have the financial support available, should they require it, explained to them.

6.2 The communications approach for DWP staff will include raising awareness through existing communications channels such as Operational Senior Leaders Brief, Change and You, DWP Headline News, Advisory Bulletins, together with more targeted operational communications through implementation updates and operational guidance at the appropriate time.

6.3 For external advisers, stakeholders and intermediaries, we will provide information about the change in articles within the DWP Stakeholder Bulletin and Touch base publication.

A series of face to face meetings are also scheduled to take place from May 2014 at the:

- DWP Operations Stakeholder Engagement Forum (OSEF) which includes over 45 national customer representative groups;
- Policy and Strategy Forums; and
- Local Authority engagement.

6.4 MPs, Members of the Scottish Parliament and Welsh Assembly Members will also be made aware of the changes.

## **7. Monitoring and evaluation of the proposed changes**

7.1 DWP is committed to monitoring the impact of all its policies. We will therefore be developing plans for monitoring the actual impact of the increase in waiting days on those groups who share protected characteristics under the Equality Act 2010..

End



