



## SSAC consultation on extending benefit waiting days

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### CPAG's response

June 2014

Child Poverty Action Group  
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1. Child Poverty Action Group (CPAG) has worked for almost 50 years to prevent and relieve poverty among children and families in the UK. We have particular expertise in the functioning of the social security system through our welfare rights, training and policy research.
2. We are concerned at proposals to lengthen the delay in entitlement for jobseeker's allowance (JSA) and employment and support allowance (ESA) from three days to seven days. The DWP explanatory memorandum is explicit in stating that the intention of the increase in the number of waiting days is to generate savings,<sup>1</sup> and to discourage people from claiming benefit for short periods of time.<sup>2</sup> In our view, these are not sufficient reasons for withdrawing basic entitlements, and for the hardship that this will cause.
3. It is not correct to assume that the amounts concerned are insignificant for low-income households, with an estimated loss to each affected claimant of £40 (JSA) and £50 (ESA). While the explanatory memorandum asserts that 'many people affected by this measure will be coming to benefits from relatively well paid jobs', this is neither quantified nor evidenced. If it is true that many new benefit claimants will recently have been in well paid employment, it is equally true that many will not. Crucially, many of those claiming JSA or ESA will have few or no savings. According to DWP figures, 40 per cent of children in the poorest fifth of households live in a household with no savings whatsoever, as do 31 per cent of children in those in households in the second bottom quintile of the income distribution.<sup>3</sup>
4. This extended delay potentially leaves claimants, and their families and children, at risk of financial hardship. In the absence of other sources of income, they may be forced to rely upon expensive forms of debt, such as payday loans and doorstep lenders, or to turn to food banks for subsistence. Our ongoing research into the reasons for rising food bank use suggests that benefit delays are a major driver of increased demand, a situation which an extended waiting period is likely to exacerbate.
5. The explanatory memorandum suggests that claimants in financial need ought to apply for a Short Term Benefit Advance (STBA). Our research with Tower Hamlets food bank, however, has identified problems for claimants in accessing these. Frequently, claimants have not been advised by their Jobcentre that these are available, and it has only been through independent advice and assistance that they have been able to obtain an advance. At present, the system of STBAs is not likely to prove adequate for this additional purpose. This is also a different use of a STBA to that for which it was originally intended, since, rather than ameliorating a delay, it will be used to substitute for entitlement. In this case, however, it will be a loan, to be repaid in full, to cover a period of no financial assistance (the seven waiting days), rather than temporarily to cover a shortfall caused by delay. This proposed solution will simply spread the financial loss to families over a longer period of time.

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<sup>1</sup> Paragraph 3.4, 'Explanatory Memorandum for the Social Security Advisory Committee: The Social Security (Waiting Days) Regulations 2014', Department for Work and Pensions, May 2014

<sup>2</sup> Paragraph 3.5

<sup>3</sup> 'Households Below Average Income 1994/95 – 2011/12', Department for Work and Pensions, June 2013

6. The logic of the proposal to extend waiting days is to some extent underpinned by the belief that claimants are likely to have final earnings from previous employment forthcoming.<sup>4</sup> Yet this does not reflect the reality of patterns of payment for many low earners. For example, at least one in five of all earners are currently paid weekly or fortnightly.<sup>5</sup> Claimants leaving jobs with such arrangements, especially those who were low earning, will not necessarily have a large in-arrears payment to cover them for seven days without income, especially with benefits being paid in arrears too.
7. We are concerned that, when universal credit (UC) is implemented, these impacts may be substantially increased. In the policy costings document for Budget 2014, the Exchequer impact of the new seven day waiting period for ESA is estimated to be £5 million in 2014-15, £10 million in 2015-16, and £5 million in 2016-17, before becoming 'negligible' subsequently due to the introduction of UC. No equivalent figures for JSA appear to be available, but they are likely to be of a similar order of magnitude, although the explanatory memorandum suggests total savings of £50 million in 2015/16.<sup>6</sup> However, in the policy costings document for Spending Round 2013, the estimated savings from the increase to seven waiting days for 'unemployed claimants' is estimated to be £245 million in 2015-16, rising to £260 million in 2016-17 and 2017-18. The costing assumes that the extended waiting days policy will apply to claimants who are subject to conditionality. The large discrepancy between the two figures is strongly suggestive of all the elements of a claim for UC – including housing and children's components – being subject to a waiting period of seven days, which indeed is raised in the explanatory memorandum.<sup>7</sup> This would amount to a substantial compounding of the hardships described above, and would render void the reassurance in the memorandum that payments for housing costs and children are unaffected by an increase in waiting days.<sup>8</sup>
8. We are concerned at the potential effect of these proposed changes on children. We know that parents make great sacrifices to protect their children from financial and material hardship, but these reductions in entitlements risk having a significant impact on their well-being.

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For further information, please contact Moussa Haddad, Senior Policy and Research Officer, at mhaddad@cpag.org.uk or on 020 7812 5238

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<sup>4</sup> Paragraph 3.5

<sup>5</sup> According to figures from the Labour Force Survey, Family Resources Survey and Annual Survey of Hours and Earnings (see <http://wbg.org.uk/pdfs/universal-credit-payment-issues-sept-2011-revised.pdf> for sources). The government itself cites evidence that only half those earning under £10,000 a year currently get paid monthly.

<sup>6</sup> Paragraph 3.15

<sup>7</sup> Paragraph 3.16

<sup>8</sup> Paragraph 3.13