

# WELFARE REFORM ACT 2012

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## EXPLANATORY NOTES

### GLOSSARY

7. The following abbreviations are used for existing Acts:
  - SSAA 1992 – Social Security Administration Act 1992
  - SSCBA 1992 – Social Security Contributions and Benefits Act 1992
  - JA 1995 – Jobseekers Act 1995
  - SSA 1998 – Social Security Act 1998
  - SSFA 2001 – Social Security Fraud Act 2001
  - SPCA 2002 – State Pension Credit Act 2002
  - TCA 2002 – Tax Credits Act 2002
  - WRA 2007 – Welfare Reform Act 2007
  - WRA 2009 – Welfare Reform Act 2009
8. The following other abbreviations are used:
  - JSA – jobseeker’s allowance
  - ESA – employment and support allowance
  - IS – income support
  - DWP – Department for Work and Pensions
  - HMRC – Her Majesty’s Revenue and Customs

### **Part 1 – Universal credit**

9. This Part of the Act contains provisions and confers regulation-making powers for an integrated working-age benefit to be called universal credit, which, depending on the claimant’s circumstances, will include a standard allowance (to cover basic living costs) along with additional elements for responsibility for children or young persons, housing costs and other particular needs.
10. Universal credit will be paid to people both in and out of work, replacing working tax credit, child tax credit, housing benefit, IS, income-based JSA and income-related ESA (for details on provisions for council tax support, please see the note on section 33). It will provide support for people between 18 (or younger in certain cases) and the qualifying age for state pension credit.
11. The aim of universal credit is to smooth the transition into work by reducing the support a person receives at a consistent rate as their earnings increase.

12. The financial support provided by universal credit will be underpinned by responsibilities which claimants may be required to meet. The level of those requirements will depend on the claimant's particular circumstances.

## **Part 2 – Working-age benefits**

13. This Part of the Act makes provision for changes to the responsibilities of claimants of JSA, ESA and IS in the period leading up to the introduction of universal credit and the abolition of income-based JSA, income-related ESA and IS (the interim period). In particular provision is made for the introduction of a claimant commitment. The claimant commitment will be a record of the requirements claimants are expected to meet in order to receive benefit and the consequences should they fail to do so.
14. Once universal credit is introduced, ESA and JSA will continue alongside universal credit as contributory benefits. As well as the changes to be made in the interim period, this Part also introduces longer-term reforms to align ESA and JSA more closely with the provisions for universal credit. *Sections 49 and 57* insert new sections into the JA 1995 and the WRA 2007 which replicate those for universal credit which relate to work-related requirements and sanctions, apart from where differences are necessary, so that what can be expected of a claimant of contributory JSA or ESA is the same as it would be for a similar claimant of universal credit.

## **Part 3 – Other benefit changes**

15. This Part of the Act contains changes to a number of other social security benefits.

## **Part 4 – Personal independence payment**

16. In June 2010 the Government announced, as part of the Budget, its intention to reform disability living allowance from 2013-14. Subsequently, in December 2010, a consultation paper *Disability Living Allowance reform (Cm 7984)* was published. The consultation paper set out the Government's proposals to replace disability living allowance with a personal independence payment. The provisions in Part 4 set out the framework for the new benefit, while the consultation responses will feed into the detailed design of the benefit which will be provided for in secondary legislation.

## **Part 5 – Social security: general**

17. This Part of the Act contains provisions relating to the administration of social security benefits, including provisions relating to a cap on benefit payments; measures to deal with benefit and tax credit fraud and enabling the Secretary of State to share data with other bodies.

## **Part 6 – Miscellaneous**

18. In January 2011 the Government published a consultation document *Strengthening families, promoting parental responsibility: the future of child maintenance (Cm 7990)*. The document set out the Government's view that parents should be encouraged and supported to make their own family-based arrangements for the maintenance of their children wherever possible, rather than using the statutory maintenance scheme. This will enable the Child Maintenance and Enforcement Commission to focus on those cases where it is not possible for parents to make those arrangements themselves. This Part of the Act makes provision to implement proposals which support the principles in the consultation document (but did not form part of the consultation) and which require primary legislation.
19. Provision is also made for an amendment to the Insolvency Act 1986 to put beyond doubt that arrears of child support are excluded from the debts which may be included in an individual voluntary arrangement.

*These notes refer to the Welfare Reform Act 2012  
(c.5) which received Royal Assent on 8 March 2012*

20. In addition, provision is made to establish the Social Mobility and Child Poverty Commission.

**Part 7 – Final**

21. [Part 7](#) contains sections relating to the extent of the Act, commencement of provisions of the Act, and the short title.