



Welfare reform and child poverty

Welfare reform bill report stage briefing

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Introduction

This briefing focuses on the child poverty implications of the welfare reform bill. Child Poverty Action Group has significant concerns about the direction of the welfare reform proposals precisely because of our concerns on child poverty. We believe the legislation mis-diagnoses the reasons for worklessness and child poverty, by emphasizing a need for additional conditions (and therefore possible sanctions) whilst the real problems are weak support services, barriers to the labour market and low benefits for those who cannot work. Child Poverty Action Group would like to see Government alter plans to:

- Reduce the potential for sanctions on families with children: these will worsen poverty for families affected by them;
- Improve support services for able to, or preparing to, move into employment, including an entitlement to high quality personally-tailored support;
- Ensure childcare agenda is child first (emphasizing quality and child outcomes), not just work first driven;
- Give urgent attention to benefit adequacy – benefits are currently paid below the level of the poverty line, a problem is made more pressing by mounting numbers on job seekers allowance;
- Introduce a claimants' charter to ensure claimants needs are fully met and their rights protected.

This briefing provides a short overview on the context of the legislation, and raises general concerns as well as specific improvements which we urge MPs to support (more information can be found at www.cpag.org.uk/welfarereform or using the contact details on this briefing).

Child poverty and welfare reform

The welfare reform plans include a significant increase in benefits conditionality. The justification offered is that this will increase moves into employment and thereby reduce poverty. CPAG argues against increasing existing conditionality within the benefits system: it is not well evidenced as an effective model for increasing employment participation; extra sanctions may reduce the incomes for those affected (so worsen poverty), and we believe parents should have the choice of when a move back into employment is in the interests of children.

No convincing evidence has been provided to show that increased benefit conditions (and so sanctions) have improved moves into decent employment in the absence of better support. There is also not convincing evidence that compulsion to engage with extra support is needed to improve work outcomes. Although the proposals are based on the provision of high quality personalised support, research shows that the provision and quality of childcare remains variable and patchy; and that private providers are concerned about the costs of administering employment services in a time of rising unemployment. Yet increasingly discretionary powers to sanction parents for not engaging in work related activity are proposed now and we do not believe adequate guarantees have been given that parents will be fully protected from directions being issued that conflict with free choices of suitable childcare.

The timing for these proposed changes is bad. The third reading takes place in the week the unemployment figures are widely expected to rise above 2 million people. Jobcentre Plus is under mounting pressure and does not need the increased delivery challenge of transferring more lone parents or disabled people onto the unemployment roll.

Plans to transfer more lone parents onto jobseekers allowance and to subject the incapacity benefit 'stock' to the new work capability assessment should be put on ice pending economic recovery, government evaluation of the introduction of the Employment and Support Allowance and of the first tranche of lone parent families (with children aged 12-16 years) transferred from income support to job seekers allowance.

CPAG has been supportive of moves to increase support (such as childcare, access to work scheme, training) available to those able to seek employment or preparing to seek employment. Improving these support services will be the real trigger to facilitating a higher employment rate that can help reduce child poverty (providing in-work poverty is addressed too). Disadvantaged people should not be 'parked' because of the recession, they should be offered every support, but neither should they be forced into job search activity (at the risk of increased sanctions) which may undermine family life, is currently very unlikely to lead to a decent job and creates a huge workload for overstretched jobcentre plus.

Legislation clauses

The clauses most relevant to child poverty are in part 1 of the bill. This section notes the key parts that will be debated at report stage and on which CPAG has particular concerns. We urge MPs to raise the points mentioned.

New clauses supported by CPAG:

NC2 – increases JSA by £15 and links future rises to earnings

NC4 & NC10 – DLA mobility for blind claimants

NC7 – claimant's charter

NC8 – payment of additional premium for WRA

- CPAG strongly support an increase to JSA, which has fallen far behind earnings. An increase would reduce hardship and also provide a valuable and highly targeted fiscal stimulus.
- CPAG supports improved access to DLA mobility support for claimants with serious visual impairments.
- To protect claimants rights we propose a new claimants charter to cover both Jobcentre Plus and services provided by private providers. The charter would be enforced by an independent ombudsman. The provision around an employment services ombudsman attempts to mirror that established within the 1996 Housing Act for a Housing Services Ombudsman. This was a recommendation of the recent Work and Pension Select Committee report into the commissioning of employment services.
- CPAG believes this new clause will make the 'progression to work' group more coherent and ensure this is based on incentives not sanctions, an additional premium should be paid to those who are participating in work related activity.

The Welfare Reform Bill of this year allows Income Support Claimants, partners of claimants, and Employment and Support Allowance claimants, to be required to participate in Work Related Activity (section 2 of the Bill). Work Related Activity is defined loosely in the Bill as 'activity which makes it more likely that the person will obtain or remain in work or be able to do so'. Claimants who do not participate in work related activity will receive a benefit sanction.

The intention of the legislation is to create a 'progression to work' group of benefit claimants as set out in the conditionality review conducted by Paul Gregg. This group already exists within Employment and Support Allowance. Claimants of the 'work related activity' component of the benefit, receive an additional premium of £24 above the Jobseeker's Allowance rate, for participating in a series of Work Focused Interviews. No additional premium is proposed for single parents on Income Support who take part in work related activity as set out in this Bill, rather they will receive a sanction if they do not undertake whatever actions their adviser has decided will be necessary for them to move towards work. Extending a premium for all groups taking part in work related activity could be achieved through an amendment to alter the Act which determines the amount paid in respect of Income Support, to create a new component to be paid for those claimants who are taking part in 'Work Related Activity' as set out in the Bill currently going through Parliament.

Clause 1 amendments supported by CPAG

- 41, 41, 42, 43** – making work for benefit a pilot
- 11, 12, 13, 14, 16** – making work for benefit voluntary
- 36** – exclusions for those without decent childcare access
- 44** – requiring work for benefit to be personally tailored
- 15** – to ensure payment at minimum wage or typical wage for work for benefit
- 45** – to put a sunset date on the measure and to require evaluation.

The legislation proposes the establishment of a work for your benefit scheme, where claimants would be required to do unpaid voluntary work for up to six months (introduced for claimants after the flexible new deal stage, but could be used earlier if the personal adviser felt this was useful). CPAG believes this proposal imports workfare into the British system, with a wage level of £1.73 - we would like to see this clause removed. If it is retained suggestions to modify its impact are made below:

- Governments own research (1) has found that there is little evidence workfare schemes increase the chances of individuals finding work, particularly when there is little demand for labour. The same research found workfare was least effective for those with low skills and those with multiple barriers to employment.
- The scheme should be piloted and it should not be allowed to continued beyond 2013 without further legislation, allowing full Parliamentary scrutiny of the pilot impacts.
- Schemes should be limited to those that are genuinely personally tailored to individual need, rather than a one-size fits all as could be implemented from the current clause wording. This is much more in keeping with the Government's stated view that support should be personally-tailored.

1 Richard Crisp and Del Roy Fletcher (2008) *A comparative review of workfare programmes in the United States, Canada and Australia* DWP Research Report No. 533.

- The national minimum wage should be paid to anyone undertaking work through 'work for your benefit', rather than the £1.73 implied by the proposal. Not only is work that is not given a genuine wage unfair and degrading, but sends out the dangerous message that work does not pay.

Clause 2 amendments supported by CPAG

- 17 – excludes lone parents with children under 7 from WRA
- 18, 19, 20, 21, 22, 23, 24 – makes WRA voluntary
- 49, 50, 51, 52, 53, 54, 55 – makes WRA an entitlement, not a requirement
- 56 – prevents any reductions to benefits that may impact negatively on children
- 63 – prevents claimants from enforced medication or psychological therapy
- 57, 58 – strengthened rights for claimants to have an action plan reconsidered
- 59 – prevents directions to undertake particular WRA actions
- 26 – prevents contracting out of WRA services

This clause will require parents in receipt of income support, income-based jobseeker's allowance and income-related employment and support allowance to undertake work-related activity. As well as increasing requirements on lone parents and partners of claimants, those usually take primary caring responsibility for children, this move places increased pressure on jobcentre plus. CPAG believes:

- Lone parents and partners with children under 7 years old should not be compelled into WRA. There is not evidence to support the efficacy of this move and CPAG believes it would be more effective to provide an entitlement and focus resources on ensuring the support offered is genuinely of high quality and personally-tailored. In this way, we believe more lone parents would enter decent and sustainable jobs and the resultant reduction in child poverty would be greater.
- The power of the DWP and private contractors to issue mandatory directions to income support claimants and partner of claimants should be removed. The explanatory notes refer to work-related activity being part of an agreed action plan but without detail on how the agreement is to be reached, or disputes over content are to be resolved. Mandating this activity undermines claimant ownership of work related activity, which would work against sustained moves into employment.

Clause 3 amendments supported by CPAG

- 38, 39 – protects victims of domestic violence from immediate WRA requirements

CPAG believes:

- This clause offers the important opportunity to create protection for those parents who have left their home due to domestic violence. Not only are parents who have experienced violence a particularly vulnerable group, but these families will need time to adapt, particularly when the family has had to leave the family home.

Clause 4 amendments supported by CPAG

- 46 – allows a member of a couple who has limited capacity for work, and is with a partner without limited capacity for work, to be eligible for ESA and the support services provided to ESA claimants.

Clause 4 obliges a couple in which one person has limited capability for work to claim JSA, if the other partner is capable of work. CPAG believes:

- The clause may block access to the additional benefit and specialist support available through ESA that recognises a person's additional and particular needs as a result of their disability or limited capacity to work.
- It may cause problems for many couples where both have health conditions. They will be unsure as to which one of them should claim either JSA or ESA. As a result they may make multiple claims for benefit with drawn out and overlapping disputes about entitlement, backdating, disputed medicals, etc. We therefore think it likely this clause will result in an increase in the number of claims for ESA by partners in these circumstances, causing complexity for claimants and increasing the workload of the DWP.
- Deleting the clause ensures continued access to work related activity to all working age members of a couple with limited capability for work, along with the additional payment given to those receiving ESA and undertaking WRA.

Clause 11 – amendments supported by CPAG

47 – removes a clause which reduces contributory rights for people who have paid National Insurance payments.

- Clause 11 reduces the numbers of years in work which can be used to help qualify for contributory ESA.
- Instead of being able to count national insurance contributions paid in the three years prior to a claim, a claimant would have to have paid them in the two years prior to the claim. The changes will reduce the number of claimants who qualify for contributory ESA and instead have no access to support or have to claim means-tested benefits which are complex and suffer from low take-up.
- Removing this clause will keep existing entitlements to ESA as a contributory right for some people

Clause 12– amendments supported by CPAG

60 – deletes a clause which will decrease the income of some households dependent on maternity and carers allowance.

- The Bill proposes to abolish dependent additions paid with carer's allowance and maternity allowance (a benefit that is paid to women who have been in work prior to pregnancy, but don't meet the qualifying conditions for statutory maternity pay). Both benefits are non-means tested.
- Removing the dependent addition will lead either to an increase in reliance on means-tested benefits, or for those who fail the means test, having to live on a lower level of income.
- Removing this clause will protect rights to dependent additions and so protect the incomes of carers and families entitled to maternity allowance.

Clause 13 to 15 – amendments supported by CPAG

37 – removes clauses that allow for external providers of social fund loans.

- These clauses provide for the outsourcing the delivery of parts of the social fund to external providers.
- CPAG welcomed Ministers distancing themselves from the proposal to charge interest on loans but now this has been withdrawn, the rationale for this proposal has been removed. CPAG welcomes increased access to low cost credit, but this should not be done at the expense of the budgeting loan scheme, which provides for the provision and replacement of essential household items.
- Government has announced it will consult on the social fund more fully later in the year, and so we recommend the removal of these clauses so that Government does not take this power before this consultation.

Clause 19 – amendments supported by CPAG

61, 62, 64 – limits fines only to those convicted of an offence

- The Bill proposes that claimants who have not been convicted of any offence of fraud will have their benefit suspended for four weeks as a punishment. Those who are never charged with any offence, who accept a caution or administrative penalty will suffer the penalty, and it can be applied to a first 'offence'. Fraud is now a smaller problem than error, and no justification has been given for introducing this measure.
- Claimants who have been convicted of an offence are already subject to criminal sanctions. Adding benefit sanctions complicates the benefit system without any additional deterrent effect. By including those who accept a caution or penalty, this proposal will catch many who are overpaid benefit due to a DWP mistake or genuine error or misunderstanding on their part, but who lack the skills and confidence to seek advice and challenge poor decisions made by the DWP. This proposal may discourage claimants from accepting administrative penalties for fraud offences and increase costs of prosecution.
- These amendments would limit potential sanctions to those who have been convicted of an offence only.

Clause 24 – amendments supported by CPAG

65 – This amendment would prevent the doubling of the financial penalty for non-attendance for JSA claimants.

- Clause 24 imposes a penalty of a week's benefit for a person who fails to attend, contacts the Jobcentre within the required 5 days, but is found not to have good cause. A repeat of the behaviour results in a penalty of two weeks.
- The Gregg review said sanctions should be clear, timely and proportionate. By increasing the loss of benefit to two weeks, this proposal appears mostly punitive. Many groups of claimants who have not previously had to claim JSA are now being exposed to its exacting regime, including lone parents with children aged 7 and over.
- The Social Security Advisory Committee has already raised its concerns about the sanction regime and the "possible adverse effect this would have

on lone parents and their children” and increasing sanctions in this way can only add to these concerns.

- Accepting this amendment would protect incomes of some vulnerable families by preventing the doubling of financial penalties for non-attendance.

About CPAG

CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

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