

## OXFAM PARLIAMENTARY BRIEFING

### WELFARE REFORM AND WORK BILL – SECOND READING

#### KEY RECOMMENDATIONS

- That measurements for the quality of jobs are developed and included in the Bill alongside total numbers of jobs
- That the Child Poverty Act be retained; specifically, its name, the requirements on Local Authorities to have regard for it and the measurements of poverty. Supplementing these measurements to give a fuller picture of the challenges faced by those living in poverty would be welcome.
- That any changes to welfare reforms are considered for their potential negative impact on work incentives
- That a gender analysis and impact assessment of welfare reforms be undertaken before any are implemented

#### OVERVIEW

The purpose of this briefing is to provide MPs with Oxfam's initial views on some aspects of the Welfare Reform and Work Bill, due to have its second reading in the Commons on 20<sup>th</sup> July 2015. The briefing is intended to support MPs making speeches and raising questions during the debate, as well as provide material for tabling written and oral questions. Next oral DWP questions are scheduled for 7<sup>th</sup> September 2015, so Oxfam would encourage MPs to table questions.

Oxfam agrees with the Government that work should offer a guaranteed route out of poverty, and that the best way to ensure that work pays is to increase wages so that people have sufficient income and decent work. Whilst job creation is vitally important, so too is the quality and types of jobs, if they are to provide a route out of poverty. The focus on the responsibility of employers to ensure their employees earn sufficient for a decent life is also a welcome move.

However, Oxfam is concerned about changes to the Child Poverty Act 2010 contained in this Bill, and that the net impacts of changes to tax credits, child benefit and reductions in earnings disregards will reduce incentives for people to move into work or increase their hours. Working families with children will lose income through the various changes to social security, and the increase in mandatory wage levels will not compensate sufficiently for this. Research has shown that low income, working families with children have already borne the brunt of changes to social security that were seen in the last Parliament<sup>i</sup>. Ensuring their protection from further cuts should be a Government priority. Women are likely to be most affected by these changes. We know that not addressing poverty for women will weaken any ability to tackle poverty effectively.

#### EMPLOYMENT

Oxfam welcomes the Government's commitment to report every year on the number of new jobs created. However, we know that increasing the number of new jobs available is only part of the solution to provide people with a route out of poverty. Recent increases in in-work poverty have been driven in large part by low pay, insufficient hours and insecure work.<sup>ii</sup> In 2013/14, 63% of children in poverty were living in a household where someone worked<sup>iii</sup>. This is more than those in workless household, and this has increased since 2008. Oxfam's research with people in poor communities has shown that whilst pay is a vital component, people place high value on satisfying, secure and suitable work as well as jobs which provide a sufficient income.<sup>iv</sup>

Oxfam welcomes that the concept of 'decent work' has been debated in Parliament in recent years and considers that the Bill, tabled as we a return to pre-recession employment rates, provides an excellent

opportunity for this to be included in legislation. The types of jobs available in today's labour market, and how they might be improved, should form part of the Government's policy concern in the Bill.

'Decent work' has been defined by the International Labour Organisation, the Adam Smith Institute and others as including fair pay, job security, mental health, recognition of overtime, work-life balance, job satisfaction and autonomy, safety, achievable work, skills development, and effective management<sup>v</sup>.

The Bill presents an opportunity for Parliament to reopen debates on decent work, by requesting the inclusion of measures on the quality and types of jobs created each year and measures to create an environment which stimulates the promotion of 'decent work'. This should include a 'decent work index' which includes the range of measures which form the decent work definition. Oxfam is undertaking participatory research into this concept with the intention of helping to create such an index and could provide these findings to Parliamentarians and Bill writers.

### **CHILD POVERTY ACT**

The Welfare Reform and Work Bill proposes to remove the indicators and targets in the Child Poverty Act 2010 and replace them with a set of broader measures of life chances, including a statutory duty to report on measures of worklessness and GCSE attainment. Although the Government's intention is to tackle the causes of child poverty, Oxfam is concerned that the loss of focus on child poverty from repealing the majority of the Act, including losing measurements of income poverty linked to tackling child poverty, would mean that the links between income and poverty are not sufficiently recognised.

Oxfam considers that the measures currently in the Bill do not provide an adequate foundation for a new, comprehensive way of addressing poverty. The proposed new measures focusing on levels of work within a family and improvements in educational attainment are welcome additional measures to existing ones. However, on their own, they cannot produce the data we need to track meaningful changes to poverty rates, and make it harder to hold the Government to account on this record. Worklessness, one of the new indicators in the Bill, is important, but not sufficient alone, as over half of children living in income poverty in the UK today have at least one parent in work<sup>vi</sup>.

While Oxfam does not claim that the existing measure – defined as 60 per cent of median income – is a perfect measure on its own (as we argued in our consultation response in 2013<sup>vii</sup>), We consider it needs to be retained because:

Income is a critical factor driving child outcomes; children from low-income households do worse in part precisely because they have lower incomes.

- It is generally accepted that a relative measurement of poverty is important as it allows us to make comparisons between being poor and excluded from participating in things that people 'in the middle' of society enjoy. This was recognised by David Cameron in 2006: "*the Conservative Party recognises, will measure and will act on relative poverty.*"
- The relative income measure of poverty has a long history and is the standardised way of measuring child poverty, not just in the UK but across the rest of European Union, the Organisation of Economic Co-operation and Development, UNICEF and most Governments in rich countries. Removing this measure therefore loses how we compare with equivalent countries and across time.
- Poverty is a complex reality and Oxfam recognises that there is no one perfect measure to capture it all. We know that the relative income poverty measurement has its weaknesses, as every measure does. This is why combining the 60% median income based measures of poverty with additional income or other multidimensional measures of poverty is generally acknowledged to be the best way to describe and track poverty over time.

Whilst Oxfam welcomes that the Government has committed to maintaining the annual publication of the households below average income statistics produced on behalf of the DWP, we are nonetheless concerned that this data will not be given its due significance in contributing to defining measures necessary to reduce child poverty and improve children's life chances.

## INCREASING WAGES AND REDUCING BENEFITS

The Institute for Fiscal Studies (IFS) has produced an analysis of the impacts of the announcements on benefits from the Summer Budget. They have found that:

- Freezing benefits for four years will reduce income by £260 a year for a family on average, and by £280 a year for those in work (13 million people in total, 7.4 million of which are working)
- Removing child tax credit entitlements for third and subsequent children will reduce income by £3,670 for 872,000 families (548,000 in work).
- Abolishing the family element of child tax credit (the increase for first child) will affect 4 million families who will lose £545 a year.
- Work allowances (amount you can earn before benefits are withdrawn) are being reduced to £3,850 from £6,420. Universal Credit will be withdrawn immediately for non-disabled childless households. 3 million families will lose around £1000 a year and it will potentially weaken work incentives
- The Office for Budget Responsibility estimates that 2.7 million people who earn below £9.35 per hour in 2020 would see hourly pay increase. Most of these people are likely to be working part-time, and likely to be female<sup>viii</sup>.
- The Office for Budget Responsibility<sup>ix</sup> assumes that the “National Living Wage” is likely to be £9.35 in 2020, which means that for those people working 35 hours a week currently on the National Minimum Wage and over 25 years old, they will see an overall increase of just over £5,000 a year, before tax. However, the IFS has found that a combination of the various social security reductions will cost households approximately £5,500 a year cancelling out any increases in income through increasing low wages.

Oxfam recognises (and has stated previously) that the social security system needs reform and welcomed the Universal Credit system in principle because of its potential to simplify the system. Oxfam has welcomed the increase to 85% of childcare costs provided through Universal Credit, in supporting carers, especially women into work. However, Oxfam is concerned that these further changes in the Bill will reduce people’s income so much that achieving a Minimum Income Standard for the poorest will be completely unachievable and leave people with nowhere to turn<sup>x</sup>. This will mean that people who already have little financial resilience to shocks will have even less and so are more likely to end up at food banks and other emergency providers. Oxfam is committed to addressing the underlying drivers that cause people to turn to food banks in order that the numbers of people going are significantly reduced. Oxfam is concerned that these changes will have a reverse effect to what we and we consider the Government also, want to achieve with regards to emergency food provision.

The IFS analysis also suggests that the Budget and the subsequent Bill will have a strong gender impact. Oxfam is committed to tackling gender inequality, particularly women’s economic empowerment, because we know from over 70 years of delivering international development programmes that women are more likely to be in poverty than men, but also that taking women out of poverty also lifts their families and their communities. The gendered impact of the proposed legislation is both negative in terms of reduction of child benefit after two children, and the reduction of the family allowance, which is paid to the primary carer, usually the mother; and positive due to the prevalence of women in part-time and low paid work. The negative gender impact is compounded by the other proposed reductions in earnings disregards, which will have the effect of reducing work incentives, especially for second earners, again who tend to be women. The Women’s Budget Group have found in their gender analysis of the budget that women are overall losers in the Summer Budget<sup>xi</sup>

However, the announcements in the Summer Budget will also benefit women because they tend to take on part time and lower waged work and so will benefit from the increases in the mandatory wage levels. Overall, if they aren’t already in work, women are likely to be negatively impacted by the cuts to social security because the net loss is greater, and there is less incentive to move into work with the changes. Oxfam is concerned about the impacts these changes will have on women, and their ability to lift

themselves and their families out of poverty, and in doing so, may be taking a step backwards in terms of poverty eradication in the UK.

### **SUGGESTED QUESTIONS FOR DEBATES & DWP QUESTIONS**

1. To ask the Secretary of State for Work and Pensions what assessments have been made of the impact of the proposed welfare reforms on women, particularly those with children and other caring responsibilities
2. To ask the Secretary of State for Work and Pensions what assessments have been made of the impacts of the proposed welfare reforms on different socio-economic groups in society, particularly by level of income
3. To ask the Secretary of State for Work and Pensions what assessments have been made of the proposed welfare reforms on people's ability to manage financial crises and so the likelihood they may need to use a food bank or other charitable emergency food provision
4. To ask the Secretary of State what assessment he has made of the cumulative impacts of proposed reforms on different types of people for example young people, families with children, lone parents and older people
5. To ask the Secretary of State what measures he will put in place to ease transitions for lower income people as welfare reforms are implemented
6. To urge the Government to include a measure for quality of jobs as well as employment levels in the Bill, based on the agreed definition of 'decent work'
7. To urge the Government to reinstate in legislation, an income measure for child poverty, ideally linked to a cost of living measure, to give a proper focus on families' real ability to afford the basics of life in a decent society.
8. To urge the Government to develop a Poverty Strategy requirement within the Bill. A strategy would need to take account of the importance of addressing low pay, especially in pervasive poor pay sectors like retail and care, while creating more affordable social housing, and addressing UK economic inequality.

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i Beatty & Fothergill; Hitting the poorest places hardest: The local and regional impact of welfare reform; [http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest\\_0.pdf](http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf); April 2013

ii <http://www.jrf.org.uk/media-centre/low-pay-no-pay-snares-millions-poverty-63771>

iii Belfield et al; Living standards, poverty and inequality in the UK: 2015; <http://www.ifs.org.uk/uploads/publications/comms/R107.pdf>; July 2015

iv <http://humankindindex.org/>

v NEF, (Feb 2014), Well-being at Work. A Review of the Literature , (London: NEF) available online at: [www.nef-consulting.co.uk/well-being-at-work](http://www.nef-consulting.co.uk/well-being-at-work) and Warr, P. (2007). Work, Happiness and Unhappiness. London: Lawrence Erlbaum Associates.

vi Department for Work and Pensions, (June 2015), op cit.

vii Trebeck, K. (Feb 2013) Summary of Oxfam response to UK Government Measuring Child Poverty Consultation, available at: <http://policy-practice.oxfam.org.uk/publications/summary-of-oxfam-response-to-uk-government-measuring-child-poverty-consultation-277916>

viii OBR; Economic and fiscal outlook; <http://cdn.budgetresponsibility.independent.gov.uk/July-2015-EFO-234224.pdf>; July 2015

ix Op. Cit.

x JRF; A minimum income standard for the UK in 2015; <http://www.jrf.org.uk/sites/files/jrf/MIS-2015-summary.pdf>; July 2015

xi Women's Budget Group; <http://wbg.org.uk/wp-content/uploads/2015/04/WBG-Budget-2015-press-release.pdf>; July 2015