

**Welfare Reform and Work Bill 2015-16**

**Gingerbread briefing: House of Lords 2nd Reading**

**November 2015**

**About Gingerbread**

Gingerbread is the leading charity working with the UK's two million single parent families. Since 1918, we have been supporting, advising and campaigning with single parents to help them meet their family's needs and achieve their goals.

**This briefing**

The measures in the Welfare Reform and Work Bill are intended to increase employment, limit increased spending on the welfare system and ensure it pays to work. However, evidence to date shows the measures as they stand will mean single parents – including those in work – are worse off financially, and do little to tackle structural barriers to work.

This briefing focuses on the following aspects of the Welfare Reform and Work Bill:

- Overall impact of tax, benefit and wage changes
- Redefining child poverty (Clauses 1 to 6)
- Reducing the benefit cap (Clauses 7 and 8)
- Tax credits (Clauses 11 and 12)
- Increasing conditionality (Clause 15).

Gingerbread would welcome the opportunity to discuss these measures further with peers; in the first instance please contact:

Emma Yorke

Campaigns Officer

020 7428 5788 / [emma.yorke@gingerbread.org.uk](mailto:emma.yorke@gingerbread.org.uk)

## Overall impact of tax, benefit and wage changes

1. The bill seeks to limit welfare spending through a number of measures, including freezing benefit payments, cutting elements of tax credits and universal credit (UC) and limiting eligibility of future tax credit and UC payments. Taken together, these measures disproportionately hit single parents, whose children are already twice as likely to be in relative poverty as those in couple parent families.
2. Our recent report *'Paying the Price: The impact of the Summer Budget on single parent families'* assessed the combined impact of reforms to tax, benefit and wage changes proposed in July 2015 on single parents in the UK, the majority of which are included in the Welfare Reform and Work Bill.<sup>1</sup> We found:
  - Single parents are the worst hit by the combined reforms: As a share of income, they lose seven times more income than couple parents, and nearly three times as much in cash terms
  - Single parents will suffer significant losses: By 2020/21, single parents will lose 7.6 per cent (£1,300) of their income a year on average, even after taking into account tax and wage gains
  - Low income working single parents are hit hardest: Working single parents in the poorest fifth of incomes lose more than those in the poorest fifth of incomes who are out of work.
3. It should be noted that single parents were also the worst affected household type by the previous wave of welfare reforms under the 2010-15 government. Our research shows that these changes left many single parent families – both in and out of work – struggling to make ends meet and risking further indebtedness.<sup>2</sup> The measures in this bill are therefore likely to further exacerbate the financial situation of low income families, particularly single parent families, placing their immediate and future well-being at risk.

## Redefining child poverty (Clauses 1 to 6)

*The bill would repeal most of the Child Poverty Act, abandoning poverty-reduction targets and proposing new measures of poverty that do not include income and ignore in work poverty.*

4. Current proposals ignore the persistent problem of in-work poverty and, in removing income from any 'life chances' measures, ignore the fundamental foundation of poverty and a critical factor influencing children's outcomes.

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<sup>1</sup> Gingerbread (2015) *Paying the Price: The impact of the Summer Budget on single parent families*. Changes to the income threshold/work allowance in tax credits/UC and to the tax credit taper rate are contained in separate regulations.

<sup>2</sup> Rabindrakumar, S. (2013) *Paying the price: Single parents in the age of austerity*; Rabindrakumar, S. (2014) *Paying the Price: The long road to recovery*.

5. In-work poverty is particularly important to measure for single parents. Over a quarter (26 per cent) of children in working single parent families lived in poverty in 2013/14.
6. **As a member of the End Child Poverty Campaign, we direct peers to that coalition for further information on our concerns around these clauses. In summary Gingerbread urges peers ensure:**
  - **The inclusion of in-work poverty in the set of new ‘life chances’ measures**
  - **The retention of income-based poverty targets and poverty in the remit of the Social Mobility and Poverty Commission.**

### **Reducing the benefit cap (Clauses 7-8)**

*The bill would lower the benefit cap from £26,000 to £23,000 in London and £20,000 nationally from September 2017. Gingerbread is concerned this will further disproportionately impact on single parents, who face significant challenges to escaping the cap, including difficulties in accessing the necessary childcare, flexible work and cheaper accommodation.*

7. Single parents are disproportionately affected by the current benefit cap. Since its introduction, 56 per cent of affected people were single parent households; in August 2015, 75 per cent of these single parent families had a child under five.<sup>3</sup>
8. The proposed lowering of the benefit cap will similarly disproportionately affect single parent families – the government’s own impact assessment estimates that 59 per cent of claimants who will have their benefits reduced by the cap will be single mothers.<sup>4</sup>
9. Unlike job-seeking requirements under income support (IS) and UC for those with children under five, the proposals continue to fail to recognise the difficulties of balancing work and care for single parents/carers with young children.
10. The main ways to escape the benefit cap are to move into work of at least 16 hours a week (to open a working tax credit claim, or at minimum wage while on UC)’ or move home. For single parents, particularly those with young children, these are not easy options.

### *Finding work*

11. There is a dearth of flexible roles enabling single parents to juggle working with raising their children. Single parents entering work do not have the right to request flexible work until they have been a job for six months, so must rely on advertised roles. A snapshot of advertised vacancies on Universal Jobmatch (the mandatory job search engine for JSA claimants) showed over 90 per cent of jobs were listed as full-time in major cities such as London, Bristol and Manchester. Of those that are advertised as part-time, some will not be suitable for single parents’ caring responsibilities (eg evening and weekend shifts).
12. The government’s impact assessment makes the assumption that those affected by the benefit cap will have access to support “*There is a wide range of help and employment support currently offered and available by Jobcentre Plus*”<sup>5</sup>. Single parents with young

<sup>3</sup> DWP (2015) *Benefit cap: Number of households capped to August 2015*.

<sup>4</sup> DWP (2015) *Welfare Reform and Work Bill: Impact assessment for the benefit cap*.

<sup>5</sup> Ibid.

children affected by the benefit cap will not have automatic access to such support from the Jobcentre, because they are not required to look for work as condition of receiving IS or UC. We also have concerns around the availability of good quality and appropriate training for single parents accessing the labour market – see paragraph 38 for further information.

### *Finding childcare*

13. As both main carers and main earners, single parents are particularly reliant on childcare to work. The DWP has provided no assessment of the availability or cost of childcare for single parents affected by the lowering of the benefit cap and has stated the information is not available.<sup>6</sup> However, we have significant concerns about the accessibility of childcare. There is no free entitlement for childcare when a child is under two. The provision of childcare for disadvantaged two year olds is for 15 hours in term-time, which would not match the requirements of someone moving into a job of 16 hours a week throughout the year to escape the benefit cap. The Family and Childcare Trust has found significant gaps in provision for young children in 136 local authorities (LAs) surveyed in England and Wales; 49 LAs had insufficient places for those who qualify for the disadvantaged two year olds offer and 32 LAs had insufficient places for three and four year olds qualifying for free childcare.<sup>7</sup>
14. The significant impact childcare has on a single parent's ability to work is reflected in the DWP evaluation of the cap: "single parents who had found work were more likely than the still capped group to have children aged four or over, at school or nursery".<sup>8</sup> 43 per cent of capped single parents cited the cost and availability of childcare as barriers to moving into work.<sup>9</sup>
15. As the government's own evaluation shows, few households have been able to move into cheaper accommodation to escape the benefit cap. The lowering of the benefit cap will make it even harder for families to move to cheaper accommodation as lower and lower rents must be found. Shelter analysis has found that a single parent family with two children sharing a room would be subject to the revised benefit cap in almost one in five areas in England including places like Basingstoke, Reading, Brighton, Oxford and Harlow.<sup>10</sup>
16. It should also be noted that the Institute of Fiscal Studies found that "the large majority of affected claimants responded neither by moving into work nor by moving house."<sup>11</sup>
17. Without the availability of cheaper accommodation, without suitable jobs or sufficient childcare these families are being put in an impossible position. These households are unlikely to find ways to escape the benefit cap and will become even poorer.

### **18. Gingerbread urges peers:**

- **Vote against Clause 7**

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<sup>6</sup> HC Deb 3 July 2015 c4618

<sup>7</sup> Butler, A. & Rutter, J. (2015) *Access denied: A report on childcare sufficiency and market management in England and Wales*.

<sup>8</sup> DWP (2014) *In-depth interviews with people affected by the benefit cap*.

<sup>9</sup> Ibid.

<sup>10</sup> The Impact of the benefit cap August 2015 Shelter

<sup>11</sup> Emmerson, C. & Joyce, R. (2014) *Coping with the cap?* London: IFS.

- **Should Clause 7 be retained, we would support amendments intended to create an exemption from the benefit cap for responsible carers not subject to full work related requirements under out of work benefits**
- **We would also support amendments requiring that, when reviewing the benefit cap level, the Secretary of State be obliged to consider an impact assessment on children under the provisions of the UNCRC**

### **Tax credits (Clauses 11 and 12)**

*The bill proposes a second wave of cuts to tax credits/UC from 2017, on top of reductions intended to affect existing tax credits recipients from April 2016.<sup>12</sup> Specifically it proposes the removal of additional money for a family's first child (the 'family element' in child tax credits, and the 'first child premium' in UC), and limits future child tax credit to the first two children.*

19. Both child tax credits and the child element within UC currently allow a higher amount for the first child in the calculation, worth £545 per year. This higher amount is in recognition of the extra costs of a first child, compared to later children, when items can be re-used.
20. The majority of single parent families have one child: 57 per cent of single parent families have one child in comparison to 41 per cent of families.<sup>13</sup> Currently there are over twice as many single parent families claiming child tax credits for one child, compared to couple families.<sup>14</sup> Thus, from April 2017, new single parents will be disproportionately hit by this cut, and will lose a greater share of their household income.
21. Analysis commissioned by Gingerbread indicates that single parent families will be the worst hit by the removal of a higher child credit for the first child, and limiting future child tax credit to the first two children. By 2020/21, single parents will lose 2.5 per cent of their annual income.<sup>15</sup> This compares to a loss of around 0.6 per cent for couple families. In cash terms, they will lose £400 per year on average – twice as much as couple families, who will lose £200 per year.<sup>16</sup>
22. The new 'two-child limit for child tax credit will apply to children born after April 2017. It is described as part of a package of measures "*to remove the increased financial awards for households who choose to have children*"<sup>17</sup>. This is a startlingly oversimplistic logic in the face of the myriad of different circumstances which, in the real world, can lead to a family with three or more children needing to claim tax credits – for example, redundancy, being put on short-time working, widowhood, illness or disability, or being left to bring up children alone as a result of marriage breakdown.

<sup>12</sup> Contained in the draft Tax Credits (Income Thresholds and Determination of Rates)(Amendment) Regulations 2015 and rejected in their current form by the House of Lords on 27/10/2015

<sup>13</sup> ONS (2015) *Families and households, 2015*. Table3.

<sup>14</sup> In 2013/14, single parents with one child made up 54% (1,147,000) of all single parents receiving child tax credits. In comparison, couples with one child made up only 29% (564,000) of couple parents receiving child tax credits. HMRC (2015) *Child and Working Tax Credits Statistics 2013/14*

<sup>15</sup> This is modelled on the basis that universal credit will be rolled out to families by 2020/21

<sup>16</sup> (2015), *The Impact of the Summer Budget on single parent families*, Analysis of Summer 2015 Budget measures commissioned by Gingerbread and carried out by IPPR. The research was funded by Barrow Cadbury Trust.

<sup>17</sup> DWP (2015) *Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element*

23. It should also be noted that the vast majority – 4 out of 5 – of families in receipt of tax credits have fewer than three children. Those that do have three or more children are often those in most acute financial need.<sup>18</sup>
24. Finally, as the government itself is aware, ethnic minority households are likely to be disproportionately affected because they are, on average, more likely to be in receipt of tax credits and have larger families.<sup>19</sup> The new ‘two child policy’ for tax credits risks exacerbating social division and inequality.

**25. Gingerbread urges peers:**

- **Vote against clauses 11 and 12**
- **Should clauses 11 and 12 be retained, we would support amendments intended to create exceptions to the ‘two child policy’ which reflect the variety of different ‘real world’ circumstances where families end up with three or more children, for example widowhood.**

**Increasing conditionality under UC (Clause 15)**

*The bill proposes carers whose youngest child has reached three years old seek work as a condition of receiving UC, from April 2017. Such increased ‘conditionality’ would be the first time those with children who have not yet reached school age are required to seek work; single parents are set to make up 75 per cent of those affected.*

*A disproportionate impact on single parents*

26. The government’s impact assessment shows that increasing conditionality in this way would affect some 220,000 carers, over 75 per cent of whom are single parents.<sup>20</sup>
27. Over the last six years, single parents have faced increasing conditionality. In 2009 single parents whose youngest child was aged 12 and over were moved on to Job Seekers Allowance (JSA) from IS; in 2012, single parents were required to seek work when their youngest child turned five. This bill marks a step-change in the introduction of conditionality, as single parents with pre-school children will be subject to all work-related requirements for the first time.

*Most single parents are already working – or highly motivated to work*

28. This proposal should be considered in the context of single parents current engagement in the labour market – nearly two-thirds (64.4 per cent) of single parents are in work<sup>21</sup> and the majority (84 per cent) of those that don’t work want to work, train or study.<sup>22</sup>
29. Moreover, the older single parents’ children get, the more likely they are to be in work. The single parent employment rate rises to over 70 per cent for those whose youngest child is 12-15 years old.<sup>23</sup>

<sup>18</sup> Child and Working Tax Credits: finalised annual awards 2012 to 2013, HM Revenue and Customs, Table 2.2

<sup>19</sup> DWP (2015) *Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element*.

<sup>20</sup> DWP (2015) *Welfare Reform and Work Bill: Impact assessment of the change for responsible carers on universal credit*.

<sup>21</sup> ONS (2015) *Working and workless households, 2015*. Table P.

<sup>22</sup> Barnes, M. & Tomaszewski, W., 2010. Lone parents and benefits: an obligation to look for work?. In: *British Social Attitudes: the 26th report*. London: Sage.

<sup>23</sup> ONS (2014) *Male and female lone parent with dependent children compared to all family type analysis cross referencing various variables from LFS/APS datasets 2007 to 2012*. Data for Apr-Jun 2012.

### *The importance of childcare in accessing work*

30. Unable to 'shift parent' in the way couple parents can, the crucial role of affordable, appropriate childcare in single parents' ability to work is well established. Department for Education survey data shows that with good quality and accessible childcare, 31 per cent of single mothers would increase their hours, compared with 20 per cent of couple mothers.
31. As outlined in paragraphs 13 and 14, we have significant concerns about the accessibility of childcare. The government has made a commitment to introduce an additional childcare subsidy for three and four year olds from September 2017. This commitment has been welcomed by parents but there is widespread concern about how realistic it is to deliver this additional childcare, and providers have warned that without increased funding for the places delivery of this offer will not be possible.<sup>24</sup>
32. The IPPR has also raised concern that the government is severely underestimating the cost of the increased provision, calculating some £1.6 billion annually as opposed to the government's policy costing of £365 million.<sup>25</sup> Consideration in the House of Lords of the Childcare Bill (which introduces the extended childcare offer to three and four year olds) exposed concerns about the adequacy of funding and implementation of the extended offer.
33. If parents of three and four year olds are expected to move into work, it is important that the expansion of the childcare offer matches the working requirements place on these parents. Currently, the extended childcare offer to three and four year olds is not scheduled to come into full effect until September 2017, some six months after the bill proposes single parents of 3 and 4 year olds must seek work.
34. One single parent told us: *"I've been looking for work pretty much since he left me...but I find it hard to fit things into her per-school hours. I looked into one job and the nursery couldn't offer me the extra hours. If I had got the job it would have meant my child going to three different providers. How can you put your child through that? My child has been through so much turmoil already...it is not fair on her"*<sup>26</sup>

### *Risks of the 'work first' approach*

35. Not only does the proposal fail to recognise single parents increasing engagement in the labour market and the importance of childcare in enabling them to work, it also advocates a 'work first' approach, where single parents are pushed into any job without consideration of job quality or investing in effective support towards long-term employment. Compelling single parents to enter what may well be insecure or low-paid work with little prospect of progression risks forcing many single parents into a 'low pay-no pay' cycle; over a fifth (22 per cent) of single parents who start a job leave employment within 12 months.<sup>27</sup>
36. The extension of conditionality to those with younger children will also leave these carers at risk of sanctions regarding the fulfilment work-related requirements. This is a particular concern for single parents, who already find themselves at disproportionate risk of facing

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<sup>24</sup> Pre-school Learning Alliance (2015) [Response to the Department of Education call for evidence on the cost of providing childcare.](#)

<sup>25</sup> Cory, G. (2015) *Extending the early years entitlement costings, concerns and alternatives.* London: IPPR.

<sup>26</sup> Gingerbread (2012) [Make it work for single parents.](#)

<sup>27</sup> Newis, P. (2012) *It's off to work we go? Moving from income support to jobseeker's allowance for single parents with a child aged five.* London: Gingerbread.

an unfair sanction decision under current conditionality rules for JSA claimants.<sup>28</sup> Extending conditionality without further action on inconsistent JCP advice will risk further unfair sanctions, affecting even younger children.

37. We are also concerned many single parents seeking to enter the labour market also lack access to good quality and appropriate training. This is reflected by the low-skilled level of entry for single parents' jobs; over two-thirds (68 per cent) of single parents enter the three lowest paid occupation groups (Newis, 2012). Single parents are also more likely to be in, and get stuck in, low-paid work than other workers.<sup>29</sup> Yet, training opportunities and support for level 3 qualifications have been cut, limiting the extent to which it is possible for single parents to enhance their skills in work and increase their chances of progressing in their work.<sup>30</sup>
38. Alongside reservations around the calibre, pay and sustainability of jobs single parents may be forced to take up under these plans, it is also important to note the dearth of flexible or part time roles that would enable them to juggle working with raising young children. See paragraph 11 for further information on the lack of such roles.
39. Finally, this proposal removes single parents' ability to decide what is best for them and their families, ie the right balance of work and care for pre-school children. Instead of being pressurised to work, single parents should be supported to make decisions in the best interest of their children.

#### **40. Gingerbread urges peers:**

- **Vote against Clause 15 i.e. retain existing work-related requirements for parents with children under five**
- **Should Clause 15 be retained, we would support amendments ensuring greater conditionality was aligned to the full introduction of 'appropriate and affordable childcare' (such that any extension of work-related requirements was delayed until the extension of free childcare for three and four year olds to 30 hours is embedded)**
- **Guidance should also be included in regulations on the support provided for single parents/carers on UC to move into work and the quality of childcare needed for single parent/carers on UC to be able to take up work.**

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<sup>28</sup> Newis, P. (2014) *Single parents and benefit sanctions*. London: Gingerbread. Single parents on jobseeker's allowance are more likely to have sanction decisions overturned than other jobseekers ie. it was wrongly applied.

<sup>29</sup> D'Arcy, C. & Hurrell, A. (2014) *Escape plan: Understanding who progresses from low pay and who gets stuck*.

<sup>30</sup> Newis, P. (2014) *Making the grade: How government investment in further education can benefit single parents and the state*. London: Gingerbread.