

Submission to the Welfare Reform and Work Bill Public Bill Committee

Quakers in Britain
4 September 2015

1. Summary

- 1.1. Many of the welfare elements of the Welfare Reform and Work Bill will increase already unacceptable levels of poverty, and economic and social inequality. Alongside various other reforms announced in the Summer Budget 2015, we are concerned about the disproportionate impact they will have on some of the most vulnerable groups in British society.
- 1.2. We question the logic that such cuts will increase work incentives, or that they will start to tackle the root causes of poverty. Instead, several of the proposed changes continue the dangerous precedent set during the last Parliament of severing the link between entitlement to and claimants' need. Over time, this fundamental shift in the nature of the social security system will serve to make millions of difficult lives even more precarious and will do nothing to bridge the deepening inequalities in UK society.
- 1.3. We are further concerned about some of the language and rhetoric that has been used in the context of this Bill. Whether wittingly or not, this risks creating false divisions between "tax payers" and "benefit claimants" and implies that some groups are more worthy or valued than others. The fact is that for the vast majority of claimants, being supported by the social security system is not a 'lifestyle choice' but an inescapable reality. The language and rhetoric used to debate welfare should reflect reality.

2. About Quakers in Britain

- 2.1. This submission is made on behalf of Quakers in Britain.ⁱ It is informed by our belief that everyone is equal in the eyes of God and by the experience of members of the Quaker community. Quakers have both been directly affected by the last round of social security cuts and have witnessed their impact through their involvement in food banks, citizens advice bureaux, homeless shelters and other initiatives designed to address the worst aspects of poverty and inequality within our communities.
- 2.2. Whilst the social security system alone cannot deal with the underlying causes of poverty and inequality, an effective social safety net, based on the principle of need, is, in our view, a vital foundation of a just and compassionate society. However, the safety net should be about more than simply providing a last line of defence against hunger, homelessness and destitution (although that too is important). It is something that should enable all to live with human dignity, to contribute to and be recognised as valued members of our society. There is already evidence to suggest that our

system is failing substantial numbers within our communities, many of whom are either vulnerable, voiceless or both. We consider that many of the Welfare measures within this Bill will make the situation even worse.

3. Specific concerns regarding the Bill

- 3.1. We agree with the government that tackling the root causes of poverty is better than merely dealing with its symptoms. However, we have a number of reservations about whether the Bill, in its current form, will actually do this. The following provisions within the Bill are particularly problematic.

Abolition of Child Poverty Targets (clauses 4-6)

- 3.2. It is clear that the binding targets for the eradication of child poverty, as set out in the Child Poverty Act 2010, will not now be met. However, in our view there is no justification for doing away with such targets altogether. Ambitious targets are an important signal of intent and a vital tool around which to focus action. Removing them sends completely the wrong signal about the value we, as a society, place on our children. Particularly in the context of other reforms in the Bill which will almost certainly increase child poverty, this gives the impression of seeking to bury rather than being open and transparent about bad news.

- 3.3. *We recommend that the Bill be amended to retain legally binding child poverty targets, based on a range of indicators (including relative income), albeit with an extended time frame.*

Life chances indicators with relation to the Child Poverty Act (clauses 4-6)

- 3.4. We recognise that there are some limitations to the relative income targets set out in the Child Poverty Act 2010. Nevertheless these are based on robust research and have a high degree of international acceptance. We believe that the limitations identified demonstrate the need to expand the duty to report on the existing child poverty measures, not to do away with it altogether.

- 3.5. Low income is a, if not *the*, defining feature of living in poverty and a major barrier to social mobility in itself. It is vital that statistics that reflect the number of children experiencing income poverty in a given period remain central to the public discourse and at the forefront of the minds of policy makers. As such they should continue to be reported alongside any other measures that Parliament chooses to introduce. The argument that that official statistics on relative income will still be collected and published separately misses this point. Creating a statutory duty for the Secretary of State to report to Parliament on the proposed 'life chances indicators', but not income based measures, will effectively relegate the latter whether or not they continue to be published.

- 3.6. Whilst we agree with the principle of broadening poverty measures, we are concerned that, by themselves, the proposed life chances indicators are

flawed. In particular the proposed ‘worklessness’ measures (based on the number of households where no adult is in employment) ignore the growing reality of in-work poverty and insecure employment. On the whole, children living in households where adults are engaged in paid work are less likely to experience poverty. However with 64% of poor children living in households where at least one adult is workingⁱⁱ, the implied assumption that paid work is always a reliable route out of poverty is simply false. Despite, the introduction of the ‘National Living Wage’, in-work poverty is likely to remain a significant problem for the British economy.ⁱⁱⁱ Any attempt to measure poverty through the lens of work must therefore take account of in-work poverty.^{iv}

3.7. *We recommend that the Bill be amended in order to retain the duty to report on the child poverty measures as stipulated in the 2010 Act, on an equal footing with, and at the same time as any new measures to be developed. Any new indicators must take account of and be transparent about the occurrence of in-work poverty.*

Benefit Cap (clauses 7 and 8)

3.8. It is both common sense, and a matter of justice, that entitlement to support from the social security system be linked to the needs of claimants. The current household benefit cap already breaks that link and effectively means that tens of thousands of households^v have incomes that are insufficient to meet what has been deemed necessary to meet essential needs. The cap has a disproportionate impact on large families and those based in higher cost housing areas. We recognise that different households will respond to a lower cap in different ways. It will not always be possible to increase their income by moving into paid work^{vi} and for thousands of households a lower cap will simply equate to the loss of a substantial proportion of their income. This will almost certainly result in even more people who are unable to meet their basic needs and will deepen inequalities in society.

3.9. We are particularly concerned about the lack of clear criteria around the proposed new thresholds. The current £26,000 cap was built on the rationale that in order to be fair to the taxpayer, income from social security support (for households where no one was in paid work) should not exceed average earnings, with no explanation of the proposed new figures in either the DWP explanatory notes on the Bill or the impact assessment published. It is unclear exactly how the proposed lower levels of £20,000 and £23,000 were established. Without a clear rationale for the new figures, this gives the impression of an arbitrary approach which seems particularly difficult to justify.

3.10. We oppose the proposal that in future the Secretary of State should have the power to review the level of the cap, without recourse to Parliament and without robust criteria upon which to base their decision. The Bill proposes that in making decisions about the future level of the benefit cap the Secretary of State should take into account “the national economic situation” and “any other matters” that they consider relevant. These factors are too

broad to be meaningful and in our view run the risk of decision making based on political expediency rather the needs of some of the most vulnerable households in our communities.

- 3.11. *We recommend that the Bill be amended to remove clause 8. Should this not be possible, sections giving the secretary of state the power to set the level of the cap in future, without reference to Parliament or clear criteria should be removed.*

Benefit & tax credit freeze (clauses 9 and 10)

- 3.12. The proposal to freeze most 'working age' benefits for four years (two years longer than stated in the Conservative Party general election manifesto) will have a severe negative impact with regards to economic and social equality. Although the freeze would not represent a cash loss, it would have a significant impact over time both on the households it will affect directly and on society as a whole.
- 3.13. Coming on top of three years of below inflationary uprating during the last Parliament, the proposals would affect an estimated 13 million households and represent a significant 8% real terms cut in social security income between 2013 and 2020.^{vii} There is already evidence to suggest that social security support does not enable many working age benefit claimants, (including many in paid work) to have an income which allows them to enjoy a minimally acceptable standard of living.^{viii} Even in this period of low inflation, freezing benefits will weaken the ability to meet basic needs. Furthermore, in recent years, our economy has been subject to volatility and unanticipated price spikes for a number of basic commodities including food and fuel. It remains to be seen how households that are subject to a flat freeze on benefit rates would cope if such exogenous shocks were to hit the UK economy again. We are concerned that further weakening the link between benefit levels and the cost of living, will have the additional consequence of widening of the economic and social disparities between benefit claimants and the rest of the population. All evidence suggests that the UK should be seeking to reduce these inequalities, not introduce policies that will widen them.

- 3.14. *We recommend that clauses 9 and 10 be removed.*

Restriction of tax credits (clauses 11 and 12)

- 3.15. We have deep reservations about the proposals to restrict the payment of Child Tax Credits, or their equivalent under Universal Credit, to the first two children in a household for new claims and for third and subsequent children born after 6 April 2017. Like the proposals to further lower the benefit cap, this proposal would further weaken the link between entitlement to support and need. According to government figures, it could affect up to 3.7 million households once fully rolled out.^{ix}

3.16. The government's rationale is that "those in receipt of tax credits should face the same financial choices about having children as those supporting themselves through work"^x. It also claims that the changes, together with the new 'National Living Wage' (NLW),^{xi} will increase work incentives and start to address the root causes of low pay. We believe that this makes a number of potentially false assumptions about the options open to eligible households, including those about the ability to automatically increase paid working hours or to find work after a period of unemployment. We note that even for most of those who are eligible for it,^{xii} the NLW will not offset the loss of income from tax credits.^{xiii} The proposals would also have consequences for two single parents re-partnering, where between them they have more than two children.

3.17. Most fundamentally the inevitable result of these proposals, will be to hurt all children from larger low-income families. Whatever one's opinion about whether or not household income should determine family size, we believe that it is morally unjustifiable that as a deliberate result of government policy, children be made to suffer for the supposed 'choices' made by their parents.

3.18. *We recommend that clauses 11 and 12 be removed.*

Employment and Support Allowance (clause 13)

3.19. We also have concerns about the proposal to remove the 'Work Related Activity Component' (WRAC) payment of Employment and Support Allowance (ESA) from claims made after April 2017.

3.20. The stated intention of this proposal is to ensure that claimants have "the right incentives and support" to help people move into the labour market when they are ready. Although additional funding, earmarked for supporting WRAC claimants to move into paid work, was announced in the Summer Budget, it is unclear how this money will be spent, what that additional support will look like in practice and whether there will be further conditionality attached to it. These questions require urgent answers.

3.21. We are hearing anecdotal evidence from within the Quaker community, that without even having being implemented, these proposals are already causing additional stress and worry amongst claimants and their families. If implemented, the changes will cause further anxiety and instability for a group of people that has already been disproportionately affected by social security cuts. In some cases those affected may not be in a position to move into paid work for some time, if at all. The changes could therefore represent a substantial reduction in income over a substantial period of time.

3.22. We question the logic that the removal of income will create 'work incentives' or the suggestion that the current system "creates a financial incentive to claim sickness benefits over jobseekers allowance"^{xiv}. We are also concerned that the language used to present these proposals implies that large numbers of people claiming disability or sickness benefits are doing so by choice. In reality, this is not the case for the overwhelming majority of

claimants. It is vital that future debate around this (and other) elements of the Bill do not fall into the trap of (either knowingly or unknowingly) painting inaccurate and potentially misleading pictures of claimants.

3.23. *We recommend that the Bill be amended to remove clause 13.*

4. Contact

Jessica Metheringham, Parliamentary Engagement Officer for Quakers in Britain.

Postal address: Friends House, 173 Euston Road, London NW1 2BJ

Email: jessicam@quaker.org.uk

Telephone: 020 7663 1107

ⁱ Formally known as the Religious Society of Friends (Quakers) in Britain. Registered with charity number 1127633. Around 23,000 people attend 478 Quaker meetings in Britain.

ⁱⁱ DWP Households Below Average Income

www.gov.uk/government/uploads/system/uploads/attachment_data/file/437246/households-below-average-income-1994-95-to-2013-14.pdf

ⁱⁱⁱ www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/opening_remarks.pdf

^{iv} Only 18% of adults who were classed as being low paid in 2002 were consistently paid above the low pay threshold a decade later. *Monitoring Poverty and Social Exclusion 2014*, Joseph Rowntree Foundation p 68. Available at www.jrf.org.uk/sites/files/jrf/MPSE-2014-FULL.pdf

^v DWP data suggests that between April 2013 and February 2015, 58,700 were affected by the cap. 45% of these were based in London www.jrf.org.uk/sites/files/jrf/MPSE-2014-FULL.pdf. The government's impact assessment for the cap suggests that in the absence of behavioural responses an additional 92,000 households could be affected by the cap in 2017/18

www.parliament.uk/documents/impact-assessments/IA15-006.pdf

^{vi} See for example recent research by the Institute for Fiscal Studies that showed that whilst there was some evidence to suggest that the cap made it more likely that affected households would seek work, and that some households who lost particularly large sums of money were more likely to move house. Nevertheless they also point out that there was much we did not know about the impact of the cap and that a large majority of affected claimants responded, neither by moving into work nor by moving house. It is unclear about how people coped with large income reductions. See

www.ifs.org.uk/publications/7482

^{vii} *Benefit Changes and Distributional Analysis* Institute for Fiscal Studies, July 2015

www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/Hood_distributional_analysis.pdf

^{viii} The extent to which social security income enables this varies greatly according to individual circumstances of claimants. For example, families with children received around 57% of what was needed to enjoy a minimally acceptable standard of living whilst single people received around 40% and pensioner couples received over 95%. Compared with Joseph Rowntree Foundations 'Minimum Income Standards' (MIS). These which are based on research into the income necessary to meet what members of the public think are necessary for a minimally acceptable standard of living. See *A minimum Income Standard for the UK in 2015* www.jrf.org.uk/publications/minimum-income-standard-uk-2015

^{ix} Figures assume that no behavioural changes are made as a response to the policy. *Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element* HM Treasury, Department for Work and Pensions, July 2015.

www.parliament.uk/documents/impact-assessments/IA15-006E.pdf

^x HM Treasury Summer Budget p38

^{xi} Whilst the NLW will give a much needed boost to some low waged workers, at £7.20 per hour, rising to £9 per hour it falls short of the £7.85 (£9.15 in London) that the Living Wage Foundations calculates is a genuine Living Wage which currently reflects the cost of living.

^{xii} The fact that workers under the age of 25 will not receive the NLW is of particular concern. In the context of other proposed policy changes such as removal of the automatic entitlement to housing

benefit for 18-21 year olds and the Youth Obligation scheme this introduces a new range of Statutory discriminations against younger adults and makes many assumptions about the situation and options open to them.

^{xiii} Introductory remarks made at Institute for Fiscal Studies Summer post Budget briefing 2015 See: www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/opening_remarks.pdf

^{xiv} HM Treasury Summer Budget 2015 p41