



# CSAN (Caritas Social Action Network) response to the Draft Child Poverty Strategy 2014-17: Consultation

## About CSAN

CSAN (Caritas Social Action Network) is the domestic social action arm of the Catholic Church in England and Wales. Our network includes over 25 charities who work to alleviate child poverty, many of whom have been involved in the formulation of this response.

Addressing child poverty is a key priority for the Catholic Church, as outlined by Cardinal Vincent Nichols who stated in November 2012:

*“Together we must strive to ensure that a safety net is always in place to protect essentials such as food and shelter for those who fall on hard times... and most critically we must work to prevent and mitigate the lifelong damage that is all too frequently the consequence of a childhood spent in acute family poverty.”*

We therefore welcome the opportunity to feed into this important consultation.

## For more information on this response please contact

Patrick Kinsella  
Public Affairs Officer  
CSAN  
[patrick.kinsella@csan.org.uk](mailto:patrick.kinsella@csan.org.uk)

## Overview

More than one in four in children are living (after housing costs) in poverty in the UK (3.5 million)<sup>1</sup> and, under current government policies, the Institute for Fiscal Studies (IFS) expects child poverty to rise, forecasting 600,000 more children living in poverty by 2015/16.<sup>2</sup> Therefore, it is clear there is urgent need to tackle child poverty.

CSAN is pleased the government restated the commitment to end child poverty by 2020 made in the Children Act 2010. There are a number of welcome measures within the Strategy, however CSAN is very concerned about the overall effectiveness to help tackle child poverty now and also to tackle intergenerational poverty. This response focuses mainly upon the Strategy's emphasis on employment as a means to tackle poverty and the commitment to support and improve living standards of families.

Our thoughts on the education aspect of the Strategy echo those made in the Catholic Education Services response<sup>3</sup>.

### *Key points*

- Employment on its own is not a solution to poverty
  - More needs to be done to reform the labour market to rectify the causes of in-work poverty and help to ensure work does indeed pay
  - In-work poverty has increasingly become a reality for families in recent years, in many cases low paid workers struggle to meet basic food, housing and utility costs
  - Urgent reform to zero-hour contracts is needed and benefit sanctions should not result from refusing a zero-hours contract
  - Whilst employment can be a sustainable route out of poverty and create numerous benefits for family life, this is dependent upon good conditions including just pay.
- Supporting living standards
  - The necessity for foodbanks is an unacceptable feature of life in the UK and we are concerned that a significant proportion of referrals were a result of benefit delays or changes
  - Measures to help families meet food costs outside of school terms should be made a priority to tackle malnutrition at home
  - There are concerns about the removal of the spare room subsidy and the impact this is having on the finances of low-income families.

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<sup>1</sup> Department for Work and Pensions, *Households Below Average Income, An analysis of the income distribution 1994/95 – 2011/12, Tables 4.1tr and 4.3tr*, 2013

<sup>2</sup> Institute for Fiscal Studies, *Child and working age poverty in Northern Ireland*, 2013

<sup>3</sup> Catholic Education Services, *Response to the Child Poverty Strategy 2014*, May 2014

## **Consultation question 1: ‘To what extent do you agree that the draft Strategy achieves a good balance between tackling poverty now and tackling the drivers of intergenerational poverty?’**

### **Employment as a means to tackle poverty**

As we mentioned in our consultation response to ‘*Measuring Child Poverty: A consultation on better measures of child poverty*’<sup>4</sup> we strongly believe poverty is a multi-dimensional and multi-faceted phenomenon, which is not based upon income alone. With this said, we do recognise that the primary defining factor of poverty is a lack of financial resources and adequate income. Gaps between household income and essential costs such as food or utilities have a clear effect on a child’s health and basic wellbeing.

CSAN supports the draft Strategy’s statement that worklessness and low earnings are root causes of poverty and welcome the government’s aspiration to tackle child poverty by helping families into employment and tackling low pay. However, it is extremely important to note that employment on its own is **not** a solution to poverty, either in the short term or to tackle intergenerational poverty. More has to be done to reform the labour market to rectify the causes of in-work poverty and help to ensure work does indeed pay. There needs to be urgent reforms of the labour market now to prevent and reverse in-work poverty, which our members have seen significantly increasing in recent years.

### *In-work poverty*

Work does not provide a guaranteed route out of poverty in the UK. In-work poverty has increasingly become a reality for families in recent years, in many cases low paid workers struggle to meet basic food, housing and utility costs.<sup>5</sup>

There are now more people in working families living below the poverty line (6.7 million) than in workless and retired families in poverty combined (6.3 million).<sup>6</sup> In addition to this it is estimated that 66% of children growing up in poverty live in a family where at least one member works.<sup>7</sup> The increase in in-work poverty can also be found in the number of working households now claiming Housing Benefit. Research from House of Commons Library found that the number of Housing Benefit claimants in work rose from 650,561 in May 2010 to 1.03 million by the end of last year (an increase of 58%).<sup>8</sup>

These figures paint a picture about poverty in the UK that flies in the face of common rhetoric that people in poverty are out of work and “scroungers”. For those in work and in low pay, it is estimated that some two-thirds of welfare changes<sup>9</sup> – including freezes and cuts to tax credits

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<sup>4</sup> CSAN, *Response to ‘Measuring Child Poverty; a consultation on better measures of child poverty’*, October 2013

<sup>5</sup> Oxfam GB, *When Work Won’t Pay: In-work poverty in the UK*, 2011

<sup>6</sup> Joseph Rowntree Foundation, *Monitoring poverty and social exclusion 2013*, December 2013

<sup>7</sup> Child Poverty Action Group, *Child poverty facts and figures*, date accessed 10 May 2014

<sup>8</sup> Labour Party Press Release, *New research shows 60% increase in working people claiming housing benefit*, 9 May 2014, date accessed 9 May 2014

<sup>9</sup> TUC, *Keeping up with the Cuts*, January 2014

and changes to Universal Credit – will put them at a further disadvantage. The majority of those affected by the benefit up-rating are also from working households.<sup>10</sup>

Families in the UK are finding it increasingly difficult to meet essential costs regardless of their employment status and urgent reform of the labour-market is needed.

### *Zero-hours contracts*

In the first two months of this year around 1.4 million zero-hour contracts provided work.<sup>11</sup> Some of our members have reported that most of the families with whom they are in contact and are employed under these contracts rarely achieve more than part time hours, which fail to bridge the gap between household income and essential costs. It is also reported to our members that travel costs and waiting time between paid hours reduce the real hourly remuneration.

So, although these contracts can be useful to both employer and some employees in being flexible, they can often cause in work poverty and exacerbate financial pressures. Due to being unable to estimate future hours and therefore earnings, budgeting is difficult and there are also concerns about the effects on welfare benefits, or the accessibility of credit. Clearly the consistent payment of bills and any debt repayment is also jeopardised.

Individuals fear that they need to accept any hours offered<sup>12</sup> to the risk of childcare or other family arrangements. Whilst long term unemployment is clearly detrimental, the effects of ongoing insecurity and uncertainty of earnings can be similarly damaging.

CSAN supports the proposed review into zero-hours contracts and calls for it to cover both areas of guaranteed hours and the real levels of remuneration. We also believe that failure to accept a zero-hour contract should be removed from the sanctions regime now and also in the Universal Credit provisions.<sup>13</sup>

### *Just pay*

Whilst employment can create numerous benefits for family life and a sustainable route out of poverty this is dependent upon good conditions including just pay. At the 2012 Bishops Conference, it was recognised that “fair wages are essential to the common good of our society”. The Cardinal Vincent Nichols, leader of the Catholic Church in England and Wales and Archbishop of the Westminster Archdiocese in London and Hertfordshire, said on this issue:

*“For many, employment presents the most effective and sustainable route out of material deprivation. Furthermore there is widespread acknowledgement of the intrinsic moral*

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<sup>10</sup> Institute for Fiscal Studies, *The Effects of the Welfare Benefits Up-rating Bill*, January 2013

<sup>11</sup> Office for National Statistics, *Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours*, April 2014

<sup>12</sup> BIS press statement, *Cable announces plans to boost fairness for workers*, 16 September 2013

<sup>13</sup> Letter from Esther McVey MP to Sheila Gilmore MP, dated 1 March 2014.

*value in work, manifested through positive influences upon self-esteem emotional wellbeing and family life, provided those in work are treated justly and fairly paid*.<sup>14</sup>

The fall in median income over the last two years has wiped out all the gains of the previous decade and worryingly, incomes for the poorest 10% have been falling for much longer (since 2004/05).<sup>15</sup> Whilst the incomes of families has steadily been falling in recent years the cost of essential utilities and food has been increasing; from 2009-2012 the Minimum Wage increased by 8% whilst food prices increased by 19%.<sup>16</sup>

More needs to be done to reverse this trend; the government needs to take steps to move towards a Living Wage – more than 5 million workers are paid less than the Living Wage<sup>17</sup> and half of working families in poverty have an adult paid below the Living Wage<sup>18</sup> – to help families meet the ever increasing costs of the essentials of daily life.

Fair wages create an economic environment which provide dignity of work and will enable individuals to flourish – and it is only through this environment a long-term solution for intergenerational poverty will be found.

#### *In summary*

- In-work poverty has become increasingly become a reality for families in recent years
- Work can only be a genuine route out of poverty if the government reforms the labour market to make work pay and rectifies the gaps between household income and essential costs
- Urgent reform to zero-hour contracts is needed and benefit sanctions should not result from refusing a zero-hours contract
- Whilst employment can be a sustainable route out of poverty and create numerous benefits for family life, this is dependent upon good conditions including just pay
- We suggest moves towards a Living Wage should be considered sooner rather than later to ensure those in work are treated justly and fairly paid.

<sup>14</sup> CSAN, *'The Catholic response to the poverty crisis', Cardinal Vincent Nichols' speech*, June 2013

<sup>15</sup> Joseph Rowntree Foundation, *Monitoring poverty and social exclusion 2013*, December 2013

<sup>16</sup> Minimum Wage in January 2009: £5.73, Minimum Wage in December 2012: £6.19 (Low Pay Commission) food prices inflation 2009: 5.3%, 2010: 3.1%, 2011: 5.9%, 2012: 3.3% (DEFRA/Office for National Statistics, *Family Food*, 2012)

<sup>17</sup> Markit/KPMG, *Living wage Research for KPMG: Structural Analysis of Hourly Wages and Current Trends in Household Finances*, November 2013

<sup>18</sup> Joseph Rowntree Foundation, *Monitoring poverty and social exclusion 2013*, December 2013

## Supporting living standards

We welcome the commitment made in the Strategy to improve and support the living standards of families. As the End Child Poverty submission states<sup>19</sup>, the recognition from the government that parents are struggling to afford the basics is welcomed. We also welcome the assurance that a welfare safety net will continue for those who cannot work.

The previous section focused on the employment emphasis, but many of the points are also pertinent to improving living standards and the necessity of just pay and dignity of work in helping to improve the living standards of children and families in poverty. This section will focus on living standards and the consequences reforms to welfare have had on the lives of those in poverty in the UK.

While we welcome the commitment made to improve living standards CSAN feel the decline in living standards in the UK, especially for the poorest households, is an extremely worrying trend. We feel that many government measures have exacerbated the decline in living standards and this will inevitably have an impact on child poverty.

### *Malnutrition and hunger*

There are 3 million people in the UK who are malnourished at any time and many more are at risk of becoming malnourished.<sup>20</sup> We welcome such measures as extending free school meals to all infant school pupils, investing in Breakfast Clubs and providing access to free fruit and vegetables, but feel these are insufficient in tackling malnutrition in children growing up in impoverished households. There are only 195 school days in the year, which means for nearly half of the year of the year children in poverty may continue to have inadequate access to food; measures should be introduced to help low-income families in providing healthy food at home.

### *Welfare reforms*

The poor have seen the greatest decline in living standards in recent years and have seen their living standards getting worse off in absolute terms.<sup>21</sup> It is now very unlikely, due to cuts to benefits, that average living standards will have recovered to their pre-crisis levels by 2015–16.<sup>22</sup>

The necessity for foodbanks is an unacceptable feature of life in the UK. Many of our members have seen a significant increase in the people they help and work with using foodbanks and have seen local foodbanks usage increase significantly in recent years. In 2013-14 over 910,000 adults and children have received emergency food and support from food banks, an increase of 163% compared to the previous year.<sup>23</sup>

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<sup>19</sup> End Child Poverty, *Response to the Child Poverty Strategy Consultation*, May 2014

<sup>20</sup> National Health Service, *Malnutrition*, NHS webpage (<http://www.nhs.uk/conditions/Malnutrition/Pages/Introduction.aspx>), date accessed 15 May 2014

<sup>21</sup> Institute for Fiscal Studies, *Living Standards, Poverty and Inequality in the UK: 2013*, 2013

<sup>22</sup> Institute for Fiscal Studies, *Green Budget*, 2014

<sup>23</sup> Trussell Trust, *Foodbank Stats*, date accessed 5 May 2014

We are also concerned that almost half of referrals to foodbanks in 2013-2014 were a result of benefit delays or changes.<sup>24</sup> These benefits issues are an additional burden on families which should be lifted.

Many of our members have also raised concerns about the removal of the spare room subsidy. They feel it is almost a catch 22 cycle. Families and individuals are unable to move (downsize) due to rent arrears, rent arrears they have accrued more often than not, as a result of the removal of the subsidy which leads to a spiral of debt. This seems a costly and inefficient system, especially if a family gets evicted as a result due to the cost to re-house them in temporary accommodation.

*In summary*

- The necessity for foodbanks is an unacceptable feature of life in the UK and we are concerned that a significant proportion of referrals were a result of benefit delays or changes
- Measures to help families meet food costs outside of school terms should also be made a priority to tackle malnutrition at home
- There are concerns about the removal of the spare room subsidy and the impact this is having on the finances of low-income families.

**Consultation question 6: Please use this space for any other comments you wish to make**

We note and support the response by the Catholics for AIDS Prevention and Support response<sup>25</sup> to this Strategy and point to their assertion that “where a person is living with HIV/AIDS in a household, this can have a major impact on child poverty” and support their calls for the government to take account of the “high correlation between HIV and poverty”.

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<sup>24</sup> Trussell Trust, *Foodbank Stats*, date accessed 5 May 2014

<sup>25</sup> Catholics for AIDS Prevention and Support (CAPS), *A Response to HM Government Child Poverty Strategy 2014 -17 Consultation*, May 2014