

CSAN Welfare Reform and Work Bill briefing

CSAN (Caritas Social Action Network) is the social action arm of the Catholic Church and official domestic agency of the Catholic Bishops Conference, England and Wales. Our network includes 43 charities and dioceses who work with vulnerable people all across England and Wales.

Introduction

The Welfare Reform and Work Bill makes significant amendments to the Child Poverty Act as well as implementing some measures announced in the Chancellor's July 8 Budget. CSAN has concerns regarding the impact these measures will have on low-income and working families. The 2nd reading of the Bill will take place in the House of Lords on the **17 November**.

Amendments to child poverty targets (Clauses 4-6)

Clauses 4-6 of the Bill will see the Child Poverty Act 2010 renamed the "Life Chances Act". This part of the Bill will also make significant amendments to the Child Poverty Act 2010, including removing the income related targets and replacing them with "new measures to improve the life chances of children".

The four UK wide targets, along with the definitions of the related measures, will be removed. These are: Relative low income, combined low income and material deprivation, absolute low income and persistent poverty.

Instead, the Bill will require the Secretary of State to report and publish data on:

- Children living in workless households in England;
- Children living in long-term workless households in England;
- The educational attainment of children in England at the end of Key Stage 4;
- The educational attainment of disadvantaged children in England at the end of Key Stage 4.

CSAN is particularly concerned with the removal of income related measures for measuring child poverty. Whilst we support the notion that poverty is a multi-dimensional and multi-faceted phenomenon which is not based on income alone, the primary defining factor of poverty is a lack of financial resources. **Any further additions to measuring child poverty should supplement, not replace income related measures.**

CSAN is also concerned about the emphasis on workless households. CSAN recognises the value of work and the particular benefits that employment can bring to self-esteem, relationships, wellbeing and ultimately human dignity. On this basis worklessness is a useful reporting measure on child poverty, however it is imperative that this measure does not become the primary measure of child poverty.

The emphasis on workless households undermines the phenomenon of in-work poverty and the realities of family life, indeed the proportion of children in poverty living in a working family rose from 54% in 2009–10 to 63% by 2013–14¹. **Any measure of poverty must continue to track the number of children growing up in poverty and who are living in working households. Failing to do so will lead to a significant number of children growing up in poverty being ignored.**

CSAN recommendations

- The Government should continue to report on income related measure of child poverty, alongside additional measures such as worklessness and educational attainment.
- The Government should recognise the reality of in-work poverty and the impact this has on families and in particular children.

We therefore urge Peers to support amendments that ensure income related definitions and measures of poverty remain.

Two child limit (Clauses 11 & 12)

Clauses 11 and **12** of the Bill introduce a so-called “two child limit” for Child Tax Credits and their equivalent under Universal Credit.

As expressed in our joint-briefing with the Church of England and others, we are deeply concerned that the overall impact of the two-child limit will be to substantially disadvantage around two million children living in larger families, many of whom are in, or at risk of, poverty. The inevitable consequence will be that many families will not have sufficient income to pay for basic needs such as food, clothing and heat. These changes will also impact negatively on family life and have unintended consequences on private fostering, kinship care, and particular faith communities.

Expected impact

The Government’s Impact Assessment estimates that this measure will affect around 640,000 families by 2020/21²; as each of these families must by definition contain three or more children, the implication is that at least two million children will be affected by the end of the parliament.

It is also anticipated that families will lose up to £2,780 for each additional child beyond the first two. With the removal of the family element of tax credits (also from April 2017), a family with three children will lose up to £3,325, and a family with four children up to £6,100.

¹ Households Below Average Income, An analysis of the income distribution 1994/95 – 2013/14, June 2015

² HMT/DWP (July 2015), Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit: <http://www.parliament.uk/documents/impact-assessments/IA15-006E.pdf>

Currently, 872,000 families in the UK receive an average of £3,670 a year in support for a third or subsequent child through the tax credit system, of which 548,000 are in work.³ Cutting the level of support for working families sends an unhelpful message about the rewards of work to the many working parents who rely on this additional support to provide for their family's needs.

Potential impact on family life

The changes will also create perverse incentives for some families. In extreme circumstances, older children may be forced to leave home before they are fully ready.

There may be further unintended consequences for kinship care arrangements and private fostering. If a potential new carer is no longer eligible for additional support because of the two child limit, their financial circumstances may well preclude them from taking on such a role. CSAN supports the concerns raised in the Kinship Care Alliance briefing.

Parents with three or more children who have been bereaved or are fleeing domestic violence may also find themselves unable to obtain adequate support for all their children. Both groups are likely to need the extra support where the deceased or abusive partner was the main earner in the household. But, as a result of this measure, bereaved families will face additional pressures at a time of acute need, and victims of domestic violence will find it harder to escape abusive relationships if they have more than two children.

Larger families are strongly prevalent within some faith traditions and cultures, leading to legitimate concerns (including but certainly not limited to some of our own communities) about the different ways this policy will be felt throughout society as a whole. We believe there is an issue of equality for children born into families of faith.

CSAN recommendations

- We recommend the removal of the limit on the child element of Child Tax Credits and Universal credit for the first two children
- If the Government decides to proceed with this measure, then families that already have three children should be protected, as they have no way of avoiding the impact.
- Exemptions should be extended to other vulnerable categories including families with disabled children, kinship carers, private foster carers and families who have experienced bereavement or domestic violence.

We therefore urge Peers to support amendments that would remove, or reduce the impact of, these clauses.

³ Hood, A (July 2015), Benefit changes and distributional analysis, Institute for Fiscal Studies.

Some Catholic Social Teaching reflections in relation to welfare

Cardinal Vincent Nichols, “Choosing the Common Good”, 2010

“Being a mediating master rather than slave of economic forces is basic to Catholic Social Teaching’s understanding of the welfare role of the state. Catholic Social Teaching suggests that the state bears responsibility for ensuring the wellbeing of its citizens in the context of the inevitable and problematic fluctuations of capitalism. Markets cannot be left to simply regulate themselves, because capitalism cannot guarantee human dignity – indeed its inherently volatile nature and the totalising impact of the labour market on social functioning leads to a strong critique of the practical impact of capitalism in Catholic Social Teaching. Catholic Social Teaching thus proposes a moral priority be made by the state for directing practical welfare support towards workers and their dependents, those unable to work within the labour market and the poor.”

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