

Welfare Reform and Work Act 2016

NECPC Briefing Note (June 2016)

1. *Background*

The *Welfare Reform and Work Act 2016* passed into law on 16th March 2016.¹ It holds significant implications for how the Government seeks to define, measure and address child poverty in the UK. The Act marks a policy movement away from income-based measures of poverty and removes statutory obligations on local authorities to reduce child poverty. Instead, it emphasises tackling worklessness, improving educational attainment and supporting ‘troubled’ families as the most effective ways to address what the Government considers to be the ‘root causes’ of poverty.

Later this year the Government will introduce its Life Chances Strategy, which will put forward a plan to, ‘*tackle poverty and the causes of deprivation, including family instability, addiction and debt.*’² As part of this, the Government will introduce a new set of indicators for measuring life chances.

This briefing summarises some key changes arising from the introduction of the Act, and outlines emerging areas of concern shared by the North East Child Poverty Commission (NECPC) and other commentators.

2. *Provisions of the Act - Child poverty policy and measurement*

Key elements which impact on child poverty policy and accountability are as follows:

- i. The Act repeals sections 1-11, 15, 17 and 19-25 of the *Child Poverty Act 2010*. This effectively abolishes all legal targets to reduce child poverty, and removes the requirement for the Government to produce a Child Poverty Strategy. It also removes all Local Duties for local authorities to produce child poverty strategies and needs assessments.
- ii. Reporting obligations introduced include: progress towards ‘full employment’; progress towards a Government target of creating 3 million apprenticeships in England by 2020; data on children living in workless households and long-term workless households; educational attainment of children (and disadvantaged children) in England at Key Stage 4; and specifications related to relevant households and support to be provided to ‘troubled families’.
- iii. An earlier version of the Bill proposed to remove the requirement to publish four income-based measures of child poverty (relative poverty, material deprivation, absolute poverty and persistent poverty). However this was overturned following strong opposition from organisations including campaign groups, charities and academics. The Government will now continue to publish data on children living in low-income households, but these figures will not be presented to Parliament and no longer form part of any statutory targets to reduce child poverty.

- iv. The national Child Poverty and Social Mobility Commission (established under the *Child Poverty Act 2010*) has been renamed the Social Mobility Commission. In effect, this abolishes the role of the Commission in monitoring government progress in reducing child poverty. The Commission's focus is now on promoting social mobility. The Commission will provide advice to ministers about how to improve social mobility in the UK and publish a report in March 2017, setting out its views on progress made towards this goal.
- v. The *Child Poverty Act 2010* is now referred to as the *Life Chances Act 2010*.

3. Provisions of the Act – Welfare reform and social housing rent

The Act sets out several provisions related to welfare reform and social housing rent reductions. These changes are likely to have a significant impact on low income families, by decreasing individual household incomes and reducing the funds available to social housing providers to offer 'non-core' support to tenants. Key provisions are as follows:

- i. The Act introduces a reduced benefit cap so that the total amount of benefits to which a family on out-of-work benefits can be entitled to in a year can not exceed £20,000 for couples and lone parents, or £13,400 for single claimants (outside of London). The Act removes the link between the cap level and average earnings, and removes the requirement for the Secretary of State to review the cap each year. Instead, it must be reviewed once in each Parliamentary term.
- ii. The following social security benefits and tax credits will be frozen for four tax years starting from 2016/17: income support (main rates); jobseeker's allowance; employment and support allowance; housing benefit and universal credit; the work-related activity group component of housing benefit; the work-related activity component of housing benefit; the limited capability for work element of universal credit; the individual element of child tax credit (payable to children or qualifying young people who are not disabled); the basic, 30-hour, second adult and lone parent elements of working tax credit; and both elements of child benefit. Subject to Parliamentary approval, this freeze will take effect from April 2016.
- iii. Changes are introduced to child tax credit and its replacement, the child element of universal credit. For children born after 8th April 2017, the child element of universal credit will provide for a maximum of two children or qualifying young people for whom a claimant is responsible.
- iv. The Act amends work-related regulations for claimants under universal credit, increasing the work-focused interview and work preparation requirements.
- v. The Act introduces a reduction in social housing rents in England of 1% per year over four years from April 2016. Some exemptions are applied, for example tenants engaged in low cost home ownership schemes and some registered providers of social housing.

Section 25 explains that the Secretary of State, 'may publish a document about the measures that the Secretary of State considers could be taken by a local authority in

order to comply with section 23 [rent reduction] and to avoid serious financial difficulties.’

4. *Discussion points and concerns*

Many commentators support the broad intentions outlined in the *Welfare Reform and Work Act 2016*; particularly its emphasis on decent work opportunities and educational attainment as key routes to improving the life chances of disadvantaged children and young people. However, critics remain cynical about the Government self-declaring an ‘all-out assault on the root causes of poverty’,³ while simultaneously bringing in legislation that will leave thousands of low income households financially worse off.

CPAG, for example, has highlighted that the child benefit freeze means that by 2020 its value will have fallen in real terms by around a quarter over a decade.⁴ Critics argue that welfare reforms will have a severe impact on many people’s ability to meet day-to-day living costs; leading to rising levels of household debt, increased reliance on foodbanks and other forms of emergency provision, and growing pressure on wider public services. It is also argued that the benefits cap unfairly affects those who are logistically unable to move into work, such as lone parents with very young children and people with caring responsibilities.⁵ Analysis by The Children’s Society shows that the reduced benefit cap will affect 92,100 children, compared to 30,500 adults.⁶

Other commentators predict that the Act will push up rates of homelessness, particularly amongst young people, in light of the removal of housing benefit for 18-21 year olds taking effect from April 2017.⁷ The Government, however, asserts that there is ‘no conflict’ between addressing poverty and cutting benefits and public services.⁸

Concerns have also been raised in relation to the implications of the Act for how poverty is conceptualised, defined and measured in the UK. Key issues are summarised as follows:

- Measures of poverty and life chances related to worklessness and educational attainment are important, but this data should be reported *in addition* to existing measures, not as a replacement. Focusing on children in workless households is also unlikely to strengthen our understanding of child poverty in the UK, given that two thirds of children in poverty live in working households and this number is predicted to rise.⁹
- The re-branding of child poverty as social mobility or ‘life chances’ is highly problematic. While discussion of both is crucial, the two issues are linked and must be considered as a complex and interdependent relationship. There is strong concern that promoting the life chances aspect of the discussion at the expense of discussing child poverty may weaken the central concern around paucity of income and the wider economic and structural context.
- The shift in language towards life chances and social mobility may also lead to an ‘individualisation’ of the problem of child poverty. The very definition of ‘life chances’ refers to ‘*the opportunities each individual has to improve his or her quality of life.*’¹⁰ A

briefing by the National Union of Teachers (NUT) provides valuable discussion of the conceptual shift from poverty to social mobility arising from the Act.¹¹

- The future focus of the re-named Social Mobility Commission is likely to weaken its position in scrutinising Government progress in reducing child poverty.

The Act does not include specific detail on additional indicators or measures of life chances, however the Government has indicated an intention to develop these in relation to the 'wider social issues' that they consider to impact upon children's life chances. Early information about the upcoming Life Chances Strategy suggests that these are likely to include addiction, debt and 'family instability.' A useful discussion paper on potential indicators has been developed by the national Child Poverty Action Group (CPAG) in response to government consultation.¹²

For more information related to this briefing, please contact Dr Deborah Harrison (NECPC Coordinator) on deborah.harrison@durham.ac.uk.

5. References and further reading

¹¹ *Welfare Reform and Work Act 2016*, c.7. Available at:

<http://www.legislation.gov.uk/ukpga/2016/7/contents/enacted/data.htm>. (Accessed 8th June 2016).

² UK Government (2016). *Queen's Speech 2016 Background notes*. Pages 68-69. May 2016. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524040/Queen_s_Speech_2016_background_notes_.pdf. (Accessed 8th June 2016).

³ UK Government (2016), *ibid*.

⁴ Child Poverty Action Group (2014, 2016). *Uprating and the value of children's benefits: Policy note December 2014*. Available at: <http://cpag.org.uk/uprating-and-value-childrens-benefits-policy-note-december-2014>. (Accessed 08th June 2016). See also: <http://www.cpag.org.uk/content/when-will-key-provisions-welfare-reform-and-work-act-come-force>. (Accessed 8th June 2016).

⁵ Citizens Advice (2015). *Parliamentary Briefing: Welfare Reform and Work Bill 2015/16*. Available at: <https://www.citizensadvice.org.uk/Global/Public/Parliamentary%20publications/Citizens%20Advice%20Welfare%20and%20Work%20Bill%20Lords%20Second%20Reading%20briefing%2017%20November%202015.pdf>. (Accessed 8th June 2016).

⁶ The Children's Society (2015). *Child Poverty and Welfare Reform*. July 2015. Available at: <https://www.childrensociety.org.uk/sites/default/files/Welfare%20Reform%20and%20Work%20Bill%20-%20Second%20Reading,%20House%20of%20Commons.pdf>. (Accessed 8th June 2016).

⁷ Crisis (2015). *Crisis Briefing: Second Reading of the Welfare Reform and Work Bill*. July 2015. Available at: http://www.crisis.org.uk/data/files/policy_research/1511_Crisis_briefing_for_Lords_second_reading_of_the_Welfare_Reform_and_Work_Bill.pdf. (Accessed 8th June 2016).

⁸ Mason, R. (2016). PM says 'no conflict' between fighting poverty and cutting benefits. *The Guardian*, 11th January 2016. Available at: <http://www.theguardian.com/society/2016/jan/11/david-cameron-no-conflict-improving-lives-cutting-benefits-poverty>. (Accessed 8th June 2016).

⁹ The Children's Society (2015), *ibid*.

¹⁰ https://en.wikipedia.org/wiki/Life_chances

¹¹ National Union of Teachers (2015). *NUT Briefing on Child Poverty*. October 2015. Available at: <https://www.teachers.org.uk/sites/default/files/2014/nut-child-poverty-briefing-oct-2015.pdf>. (Accessed 8th June 2016).

¹² CPAG (2016). *Life chances indicators*. February 2016. Available at: <http://www.cpag.org.uk/sites/default/files/Life%20Chances%20Indicators%20-%20CPAG%20Recommendations.pdf>. (Accessed 8th June 2016).