

WELFARE REFORM COMMITTEE

WOMEN AND WELFARE INQUIRY

WRITTEN SUBMISSION RECEIVED FROM CHILD POVERTY ACTION GROUP IN SCOTLAND

This evidence draws on the findings of the Early Warning System (EWS). The EWS is a framework which has been developed by CPAG in Scotland to collect case studies and wider evidence about how welfare changes are impacting on children, young people and the families and communities that support them. Information is gathered from frontline workers across Scotland, including welfare rights workers, housing officers and health and social workers.

1. According to the latest official statistics, over 1 in 5 children in Scotland are living in poverty. The Institute for Fiscal Studies (IFS) has forecast that by 2020 up to 100,000 **more** children in Scotland could be living in poverty than in 2011/12ⁱ.

2. Reasons for the existence of child poverty are wide ranging and complex. However, according to the IFSⁱⁱ, the ongoing increase in child poverty is largely a result of changes to the tax and social security system, many of which have disproportionately affected children and families.

3. Women have been disproportionately affected by many of the same changes that have driven increases in child poverty. As Engender have highlighted in their recent research paperⁱⁱⁱ, since 2010, £26 billion worth of cuts have been made to benefits, tax credits, pay and pensions, 85% of which have been taken from women's incomes. This stems from the fact that women are twice as dependent on social security as men, with 20% of women's income coming from the benefits and tax credit system, compared with 10% of men's^{iv}.

4. CPAG believe that the Welfare Reform Committee should be particularly cognisant of the following reforms which are having a disproportionately negative impact on women. These include:

5. **The basis for uprating benefits** in 2011/12 and 2012/13 was switched from Retail Prices Index (RPI) to Consumer Prices Index (CPI) inflation, a generally lower measure. The Institute for Fiscal Studies described this as the 'most important' of recent 'poverty-increasing' tax and benefit changes^v. From April 2013 uprating of working-age benefits is limited to 1%, which is below projected inflation. This 1% increase covers basic amounts for adults and children, but does not apply to specific disability and carer benefits. It is locked in by legislation for 2014/15 and 2015/16. Given that women are more likely to be in receipt of benefits, this will have a disproportionately negative effect on them. Uprating of statutory maternity pay (SMP) has also been capped at 1%, meaning that a mother will be approximately £330 worse off than if SMP had been uprated by RPI inflation^{vi}.

6. **Child benefit** rates were frozen for three years between 2011/12- 2013/14. They were then uprated by 1% in 2014/15. It is estimated that between 2011/12 and 2015/16 a family with two children will receive £1,100 less than they would have

done had child benefit been uprated by RPI inflation.^{vii} Since January 2013, child benefit has been recovered on a sliding scale via income tax from people earning between £50,000 and £60,000 (and in full if earning over £60,000). Given that child benefit is paid to the main carer (generally the mother) of a child, child benefit can be an important resource for women who may have limited alternative income due to power imbalance within the home.

7. Changes to eligibility **criteria and levels of entitlement of tax credits** have had a major impact on many women. Some of the most substantial changes have included

- Removal of the baby element from child tax credit. This was worth £545 in first year of a baby's life.

- Working tax credit has stopped for most couples with children who are working at least 16 hours a week, and now need to work at least 24 hours a week between them (losing up to £3,870 a year)

- Childcare costs covered by working tax credit cut from 80% to 70% (working parents losing up to £1,560 a year)

8. These changes will disproportionately affect women, who are far more likely to be lone parents than men^{viii}. Women in two parent families are also more likely to take on the majority of child care responsibilities and forgo employment opportunities, meaning that they are disproportionately affected where changes to entitlement for tax credits make it unaffordable for both parents to return to work

9. In addition to these changes to entitlement, changes to the way in which tax credits are administered (and recovered in the event of overpayment) are having an extremely negative effect on children and families.

10. In the Autumn Statement in 2014^{ix}, the Chancellor announced that tax credit awards would be stopped or adjusted "in year" to recover an overpayment or prevent an overpayment occurring. Where previously people in receipt of tax credits would have seen their award reduced within set limits the following tax year if an overpayment arose, some are now seeing their tax credit awards stopped altogether or reduced dramatically in the current tax year.

A female lone parent had her working tax credit reduced from £72 to £2 a week in order to recover an in-year overpayment that arose because the client mistakenly declared her income from benefits as taxable income.

11. In attempt to reduce error and fraud, HMRC has started focusing increasingly on "undisclosed partners". Its aim is to identify tax credits claimants who are claiming as a single person but who HMRC believe should be claiming jointly with a partner. We have seen an increased number of cases regarding "undisclosed partner interventions," which appears to coincide with HMRC transferring some of its error and fraud functions to a private company called Concentrix in January 2015. Several Upper Tribunal judges have criticised HMRC's approach in these cases, and the lack of evidence to justify such a decision, which often leaves lone parents for months without money which is intended for their children or to help them stay in work. Cases gathered through the Early Warning System which illustrate the impact of the changes include:

Lone parent's tax credits, housing benefit and council tax reduction have been stopped because HMRC decided that she is not single but living together as husband and wife' with her cousin (who lives in the same house). HMRC issued a request for evidence which has already been sent to them. When HMRC were advised of this they said the evidence would already have been destroyed.

The client separated from her partner after he was charged with assaulting their child. HMRC have stopped client's child tax credit on the basis of out of date information from the Electoral Register which lists the partner as still living at the address. MP's office has phoned HMRC several times but they have refused to change their decision. The client's reduced income means she has been unable to address her rent arrears and is facing eviction

Increased conditionality and sanctions

12. Since 2013 lone parents are moved from income support onto jobseeker's allowance when their youngest child turns 5. They can then face sanctions if they do not comply with job seeking conditions. Furthermore, since April 2014 lone parents claiming income support or employment and support allowance can be mandated to attend work focused interviews if child is aged one or over, or take part in work-related activity if child is aged three or over. This reform has a disproportionate effect on women given that women make up 95% of lone parents dependent on income support. For example;

An Italian lone parent had to give up work and claimed JSA. She struggled with the claimant commitment and was sanctioned. No one told her that she could restrict her availability as her child was at school.

A pregnant woman with two young children failed to complete mandatory work activity because she could not get access to a computer. Her sanction was applied on Wednesday but she was not informed that she could apply for a hardship payment until the Friday. She was told on the Friday that she would not be able to access the payment until the following Monday and had no money to get through the weekend.

13. The benefit cap is a limit on the total amount of certain benefits, including child benefit, jobseekers allowance (JSA) and employment and support allowance (ESA), that households can receive. It is set at £500 a week for couples and lone parents and £350 a week for single claimants. In practice, the benefit cap is applied by reducing the amount of housing benefit (HB), or universal credit (UC), a household is entitled to. CPAG has seen an increasing number of cases of women with children whose housing benefit has been reduced as a result of the cap. Most cases relate to families placed in expensive temporary accommodation after fleeing domestic violence. Cases illustrating the impact the cap is having on family life include;

A lone parent with 5 young children who has been living in temporary accommodation, secured with the assistance of Women's Aid, since she separated from her husband early last year due to domestic violence. She is currently on the waiting list for a permanent tenancy. In the meantime she has had her housing benefit cut to 50p per week as a result of the benefits cap.

A lone parent with 4 children has a £332.34 shortfall in rent due to the benefit cap. When she left her husband she was advised by the local authority to look for a private let due to the shortage of social rented properties. Discretionary housing payments (DHP) were only awarded for 3 months and she was informed it would be unlikely that she would be given a further award unless she could prove she was taking steps to find work by attending work focused interviews. The local authority also informed her that they thought her living expenses were excessive because they included counselling sessions for one child and larger than average electricity bills.

14. Changes to the residence test mean that EEA Jobseekers lose their right to reside after 91 days in the UK unless they can provide 'compelling evidence' they are seeking and have a genuine prospect of finding work. Without a right to reside, EEA nationals are not entitled to means tested benefits including jobseekers allowance, income support or housing benefit. Recent changes have made it harder for EEA nationals to satisfy the right to reside test, including;

- EEA jobseekers no longer have the right to reside as a jobseeker after 3 months (previously 6 months), unless they can demonstrate compelling evidence that they are seeking and have a genuine chance of getting work.
- Furthermore, since 1 April 2014 EEA nationals whose only right to reside is as a jobseeker, will not be entitled to housing benefit if they submit a new claim.

15. These reforms appear to be having a disproportionate impact on women. In part this is because women are less likely to be able to find a job quickly due to caring responsibilities. There is a particular concern that this will create barriers to individuals' trying to leave abusive relationships where their previous right to reside was based on their partner's status. There is a concern that in many cases, women who came to the UK as part of a couple will not be entitled to housing benefit when they try to claim in their own right. For example:

A Polish lone parent left her partner due to domestic abuse & claimed JSA. JSA has now stopped as she had not found work or shown a genuine prospect of doing so. The client does not want to put her child in childcare and takes him round houses with her as she looks for work. She has very little English. Client no longer has a right to reside for the purposes of jobseekers allowance, housing benefit, child benefit or child tax credit.

The client has 5 children, 2 of whom were school age when her husband left her. She is now having difficulty establishing a right to reside that would entitle her to benefits as it is not clear if her husband's employment was genuine and effective. If the client's only right to reside is as a jobseeker, she will no longer be entitled to housing benefit.

A pregnant Romanian client currently in a Women's Aid refuge has claimed JSA but is not entitled to HB as her only right to reside is as a jobseeker.

Universal Credit

16. Currently, universal credit can generally only be claimed by single jobseekers. However, there is a concern that as couples and people with children in Scotland

start claiming universal credit, women will be disadvantaged, particularly where they are classed as 'second earners'. Under universal credit, the withdrawal of benefit as incomes rise will be at a much higher rate for 'second earners' – even leaving aside childcare costs. This is, in part, because couples will only get one 'disregard' (income ignored before it counts against universal credit) between them, so if the 'first earner' has already used that up, the 'second earner's' earnings will reduce their universal credit from the first pound. This is the situation now with tax credits. But under universal credit, the rate of withdrawal, at 65 per cent, is much higher than the current tax credits taper (41%).

17. Another concern in relation to the introduction of universal credit is that it will be paid to one member of the household. There is a concern that where this single payment goes to a controlling or abusive partner it could reinforce existing power imbalances. There is evidence that economic abuse is a component of domestic abuse in many cases. Indeed there is a strong argument that the person with main responsibility for looking after the children's day-to-day needs (often, though not always, the mother) should receive the benefit.

Considerations for local and devolved policy and service provision

18. It is essential for the Scottish Government to take steps to mitigate the disproportionate impact that welfare changes are having on women, and consequently on children in Scotland. Steps that should be taken include:

- Increased investment in the Scottish Welfare Fund and, in particular, investment to ensure that families under exceptional pressure continue to have access to the fund.

Cases collected through the Early Warning System suggest that a lack of resources mean that very vulnerable families are unable to access funds. For example;

A single parent with two children aged twelve and eight had an accident at work around a month ago. She was injured and could not continue to work as a result. She and her family are struggling financially as their only income is from child tax credit and working tax credit. The family is also in receipt of housing benefit but as they live in private rented accommodation there is a £50 monthly shortfall in the rent. Their home has also just been deemed to be uninhabitable and the family are considering presenting themselves as homeless. The client has had to sell the family sofa to get money to cover basic living expenses. The client was told by the DWP that no other benefits are currently available to her and that she should apply to the SWF. The client was refused a crisis grant by the local authority and has been getting help from a local food bank instead.

- Continued investment in discretionary housing payments to ensure women fleeing domestic violence can access safe and affordable accommodation.
- Invest in support for women, and particularly women from EEA countries, to find work to help them avoid losing their right to reside in the UK.
- Ensuring that services in direct contact with women, and particularly low income women are aware of the impact that welfare changes are likely to have and how to refer women for information, advice and support.

Hanna McCulloch
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1 May 2015

ⁱ <http://www.ifs.org.uk/comms/r78.pdf>

ⁱⁱ <http://www.ifs.org.uk/comms/r78.pdf>

ⁱⁱⁱ Engender, A widening Gap; Women and Welfare Reform 2015

<http://www.engender.org.uk/content/publications/A-Widening-Gap---Women-and-Welfare-Reform.pdf>

^{iv} Engender, A widening Gap; Women and Welfare Reform 2015

<http://www.engender.org.uk/content/publications/A-Widening-Gap---Women-and-Welfare-Reform.pdf>

^v www.ifs.org.uk/comms/comm121.pdf

^{vi} http://www.cpag.org.uk/sites/default/files/Welfare%20Reform%20Impact%20on%20families%20in%20Scotland%20factsheet%20Oct%202014%20_1.pdf

^{vii} Impact of the UK Welfare Reforms on families – Autumn 2014 update Scottish Government

<http://www.scotland.gov.uk/Topics/People/welfarereform/analysis/Impactonfam2014>

^{viii} Engender, A widening Gap; Women and Welfare Reform 2015

<http://www.engender.org.uk/content/publications/A-Widening-Gap---Women-and-Welfare-Reform.pdf>

^{ix} <https://www.gov.uk/government/topical-events/autumn-statement-2014>