

Single parents and universal credit: singled out?

The Children's Society supports nearly 50,000 children and young people every year through our specialist services and children's centres. We believe in achieving a better childhood for every child but have a particular focus on children who have nowhere else to turn, such as children living in poverty, young carers, children at risk on the streets, disabled children and children in trouble with the law. We seek to give a voice to children and young people and influence policy and practice so they have a better chance in life.

Gingerbread is the charity which works nationally and locally, for and with single parent families, to improve their lives. We achieve change by championing their voices and needs and providing support services, and we reach over 250,000 single parents a year with online information, advice and support. We work closely on issues relating to single parents' financial circumstances: approximately half of the calls to our helpline relate to financial issues, and both our frontline advice work and our research and policy development focus on these issues as a key priority.

Summary

- **Almost all 2 million single parent households will be affected by the introduction of universal credit. This represents the vast majority of single parent families**
- **200,000 more single parent families will lose out under the new system than will gain. 900,000 will lose – nearly double the government's initial estimate of the number of single parent families who would lose out – compared to 700,000 who will gain**
- **Around 240,000 single parents under the age of 25 may lose around £780 per year as a result of poorly-publicised reductions in the level of their personal allowances under universal credit**
- **The Government has admitted that 100,000 more people will be pushed into poverty under universal credit than would otherwise have been the case without changes to personal allowances for under 25s**
- **25,000 single parents will be affected by the loss of the severe disability premium, which provides additional support for disabled adults living without another adult to assist them, losing up to £3,035 per year. Those who also lose the enhanced disability premium will lose a further £770 per year**
- **The government must urgently introduce changes to ensure that universal credit delivers on its promise to provide support to those who need it most, including the most vulnerable single parent families**

1. Introduction

There are around 2 million single parents in Britain today; just over a quarter (26%) of households with dependent children is headed by a single parent¹. Single parent families are nearly twice as likely to live in poverty as couple families, and many working single parents live below the poverty line – 300,000 children are growing up in poverty in working single parent families. Successive governments have highlighted work as the primary route out of poverty, and over the past two decades have implemented a series of policy measures both to improve the single parent employment rate and to improve work incentives in order to ‘make work pay’.

Nonetheless, while over half (59%) of single parents are in work, their employment rate is still significantly lower than that of mothers in couples (which stands at 71%)², in particular because single parents face additional barriers to work including the cost and availability of childcare, access to flexible jobs, and on average lower skill levels³.

In October 2013, the government will implement a significant programme of welfare reform with the introduction of universal credit, which is designed as an integrated working-age credit – replacing a series of in-work and out-of-work benefits and credits – intended to “*radically simplify the [welfare] system to make work pay and combat worklessness and poverty*”⁴. In particular, ministers have consistently claimed that universal credit will mean that all claimants will be better off in work – in October 2012 Secretary of State for Work and Pensions Iain Duncan Smith repeated his commitment that “*Universal Credit will make work pay – at each and every hour*”⁵, and most recently, in January 2013, Minister for Employment Mark Hoban MP said that “*The introduction of universal credit will make work pay, at each and every hour...*”⁶.

Following the publication, in December 2012, of an updated impact assessment⁷, this briefing outlines the effect of universal credit on single parents, and in particular explores why the latest data shows that more single parents will lose than gain after the implementation of this comprehensive welfare programme; and how substantial losses will be borne by two of the most vulnerable groups of single parents – those aged under 25 and those who are disabled.

¹ Office for National Statistics (2012) *Lone parents with dependent children*

² Office for National Statistics (2012) *Working and Workless Households*, Table P

³ Gingerbread (2012) *It's off to work we go? Moving from income support to jobseeker's allowance for single parents with a child aged five*

⁴ Department for Work and Pensions (2010) *Universal Credit: welfare that works*

⁵ Speech October 2012 to Cambridge Public Policy: Reforming welfare, transforming lives

⁶ Speech 21 January 2013 <http://www.dwp.gov.uk/newsroom/ministers-speeches/2013/21-01-13.shtml>

⁷ <http://www.dwp.gov.uk/docs/universal-credit-wr2011-ia.pdf>

2. The overall impact of universal credit on single parents

Virtually all 2 million single parent households are estimated to be affected by the introduction of universal credit⁸. They represent more than half of the 4.3 million households with children affected by the introduction of the new system.

Of these, the DWP impact assessment suggests that 600,000 will see no change in their entitlement. However, whilst 700,000 will gain under the new system, 900,000 will be worse off under Universal Credit once the system is fully implemented (see Table 1). This means that, overall, 200,000 more single parent households will lose than gain under the new system. It is also of note that this estimate of 900,000 single parent households who will be worse off under universal credit is almost *double* the estimate in the original impact assessment (which estimated that 500,000 single parents would have a lower entitlement)⁹.

Table 1: Changes in household entitlement for single parents, by household tenure

| | Higher Entitlement | No change | Lower Entitlement (before cash protection) |
|-------------------------|--------------------|---------------|---|
| Single parent - renting | 400,000 (28%) | 500,000 (36%) | 500,000 (36%) |
| Single parent - no rent | 300,000 (39%) | 100,000 (9%) | 400,000 (52%) |

Whilst transitional protection will support many single parents against cash losses at the point they move on to universal credit, this is of limited long term value because: a) it will not protect new claimants; b) its value will be lost over time as a result of inflation; and c) it will be lost if the household undergoes certain changes.

3. Key issues affecting specific groups of single parent families – who will lose out?

3.1 Young single parents – the impact of reduced personal allowances for under-25s

Under the current welfare system, rates of “personal allowance” for income support or jobseeker’s allowance may already depend on the claimant’s age. For example, the personal allowance for income support for a single person without children is currently £71 if they are 25 or over, but £56.25 if they are under 25.

The current system also clearly differentiates between single under 25s with and without children, effectively putting young single parents in the same category as all adults over 25 – meaning that a single parent between the ages of 18 and 25 currently receives the higher personal allowance rate (£71), rather than the young person’s rate¹⁰.

However, under universal credit single parents under the age of 25 will no longer be entitled to receive the higher rate of personal allowance. Instead, they will receive the same rate of allowance as an under 25 year old without any children. This means that out of work single

⁸ The DWP impact assessment is based on a population model project forward to 2014/15, which is why the total number of single parent households affected as outlined in the impact assessment – 2.2 million – is slightly higher than the latest (January 2012) population statistics for single parent households (2 million)

⁹ The earlier version of the impact assessment was published in October 2011, before the Welfare Reform Bill was passed by parliament

¹⁰ A different set of financial entitlements exist for single parents under the age of 18

parents between the ages of 18 and 25 will receive £15 per week **less** than they would under the current system (£780 per year in total).

For example, an out of work 23 year old single parent with one child would currently be entitled to around £153 per week if they have no other income or savings. Under universal credit this would reduce to around £138 per week – a loss of around 10% of their household entitlement.

There are currently at least **175,000 non-working single parents under the age of 25** who are likely to be affected by this measure¹¹. However, this measure will also affect working single parents as, under universal credit, these personal allowances continue to form part of a household benefit entitlement in work.

For example, a single parent with one child, working 16 hours a week and earning £115 per week and with housing costs of £100 per week, would currently have an income after housing costs of about £235 per week after housing costs. Under universal credit, this would reduce to £219 per week – a loss of £16 per week¹².

There are currently around 67,000 working single parents aged 18-24 in receipt of tax credits¹³. Assuming these families would all be affected by this measure, **a total of around 240,000 single parent families under 25 will be affected by this change to the amounts awarded to under-25s with children.** The government has itself acknowledged that changes to personal allowances for under-25s in universal credit will push 100,000 more people into poverty¹⁴ than would otherwise have been the case¹⁵.

3.2 Disabled single parents – the impact of the abolition of the severe and enhanced disability premiums¹⁶

The severe disability premium currently gives additional support to disabled adults with no one to care for them (or only a young carer who is not entitled to receive carer's allowance). The DWP estimates that 25,000 single parents are currently in receipt of the severe disability premium, which means that around 42,000 children are living in families currently receiving this benefit. The support received through the severe disability premium helps to cover the additional costs of living with a disability but no carer, such as paying for expenses for friends and relatives providing them with assistance, paying someone for minor pieces of maintenance work, or paying privately for the costs of personal care. For families with a

¹¹ Latest DWP data available shows that there were 170,260 single parent claimants of income support aged 18-24 (as at February 2012), and a further 7,180 single parent claimants of jobseeker's allowance aged under-25 (as at November 2012)

¹² Based on net monthly earnings of £498, monthly standard allowance of £246.81, child addition of £272.08 and housing component of £433 and a (lower) work allowance of £263. Note, entitlements for current system based on rates for 2012-13, entitlements for UC based on rates announced for 2013-14. Benefit uprating of current entitlements will mean the losses are slightly higher than those given.

¹³ <http://www.hmrc.gov.uk/statistics/prov-main-stats/cwtc-dec12.pdf>

¹⁴ [http://www.theyworkforyou.com/wrans/?id=2013-01-](http://www.theyworkforyou.com/wrans/?id=2013-01-15a.137238.h&s=benefit+uprating+section%3Awrans+section%3Awms#g137238.q0)

[15a.137238.h&s=benefit+uprating+section%3Awrans+section%3Awms#g137238.q0](http://www.theyworkforyou.com/wrans/?id=2013-01-15a.137238.h&s=benefit+uprating+section%3Awrans+section%3Awms#g137238.q0)

¹⁵ In addition to single parents, this measure will also affect couples where both partners are under 25, and single people without children in receipt of employment and support allowance (ESA) as a result of ill health or disability

¹⁶ Analysis based on The Children's Society, Citizens Advice and Disability Rights UK (2012) briefing "*Holes in the Safety Net: The impact of Universal Credit on disabled people and their families*"

young carer it goes some way to reducing the pressure on these children to care for their parent.

However, through the introduction of universal credit this severe disability premium is being abolished altogether. This will cost families affected up to £58.20 per week (£3,035 per year). This cut could be equivalent to 20% of their household income after housing costs. The additional loss of the enhanced disability premium – which provides extra help for the most severely disabled adults – means that families with a young carer looking after a disabled parent could lose up to £73 per week – more than £3,800 per year.

The cut in support from the loss of both of these benefits at once will place substantial pressure on these families, and in particular on affected children to take on extra care responsibilities, because the parent can no longer afford to pay for the additional costs of care. In total we estimate that around £50 million per year is being taken from support for young carers caring for a disabled single parent as a result of this change.

Case study: Jenny and Kelly

Kelly's mum, Jenny, became ill about ten years ago when Kelly was only 8 years old. An aggressive illness hospitalised Jenny, and has since entirely paralysed her down one side. After staying with relatives for several months whilst her mum was in hospital, Kelly was able to move back in to live with her mum from the age of 9.

Since then she has cared for her mum non-stop. She makes meals, she does washing and cleaning. She said early on she could only make simple dinners – such as scrambled eggs on toast – but she has learnt quickly. She doesn't do it alone – Jenny has a rota of professional carers who come to help out day to day, that she can pay for through her receipt of severe and enhanced disability premiums – but even so they can't do everything, and they don't stay overnight. About three years ago, the year before Kelly was due to sit her GCSEs, Jenny became extremely ill for a while. Kelly was having to get up around four times a night to help her out. Naturally she was exhausted, dragging herself to bed as soon as she got in from school.

If parents like Jenny lose their severe disability premium, she will find it even harder to afford the support from private carers that she currently receives, and Kelly will be left with an even greater burden of care.

4 Conclusion and recommendations

Universal credit was developed to provide an improved framework of support for means tested benefits and tax credits. It is designed to improve work incentives and to simplify the benefits system.

These objectives are supported by a significant investment of money. The 2010 Comprehensive Spending Review set aside £2 billion over a four year period to fund the implementation of the new system. In addition, the most recent impact assessment estimates that changes to entitlement, as well as increased take up, will mean that overall benefit payments will be £300 million per year higher as a result of the new system than they

would otherwise have been. This includes savings from reductions in error and overpayments; so if these savings are not realised, the costs could be even higher.

Given this level of additional investment, it is of particular concern that so many single parent households will lose out under the new system. Hefty cuts to personal allowances for single parents under 25 and the loss of the severe and enhanced disability premiums will contribute significantly to this. Unless these are remedied, rather than successfully targeting support at those who need it most, universal credit will instead actively penalise some of our most vulnerable families.

Any losses from reduced entitlements as a result of universal credit must also be seen in the context of *other* cuts to support not directly related to its introduction. These include changes to support with housing costs, cuts to support with childcare costs from 80% to 70% through the childcare element of working tax credit, forthcoming below-inflation increases to benefit levels¹⁷, and council tax benefit reform which will see many more low income households required to pay – or pay more – council tax¹⁸.

In order to ensure that universal credit delivers for the single parents who are among the most vulnerable households – by virtue of their age or disability – we recommend:

1. Maintaining higher levels of standard allowance for single parents under 25

Single parents aged under 25 cannot afford to lose £15 per week as a result of reductions in their personal allowances under universal credit. The government has itself admitted that changes to personal allowances for under 25s will push 100,000 more people into poverty once universal credit is fully introduced than would otherwise have been the case. In light of this, the government must urgently reconsider these changes in order to ensure that families with children – regardless of the age of the parent – receive the support that they need.

2. Introducing a self-care addition to universal credit

The loss of the severe and enhanced disability premiums is going to cut support for many of the most severely disabled and socially isolated families affected by disabilities. The government must urgently reconsider removing support from this group. We recommend the introduction of a “self-care addition” within universal credit. This would be paid at the same rate as the carer’s addition to anyone who does not have someone caring for them who is claiming the carer’s allowance or the carer’s premium.¹⁹

For more information about this briefing, please contact:

Sam Royston

Poverty and early years policy adviser, The Children’s Society
t: 07969 291251 e: sam.royston@childrenssociety.org.uk

Caroline Davey

Director of Policy, Advice and Communications, Gingerbread
t: 020 7428 5414 e: caroline.davey@gingerbread.org.uk

¹⁷ Subject to the passage of the Welfare Benefits Up-rating Bill 2013

¹⁸ Resolution Foundation (2013) *No Clear Benefit*

¹⁹ For more on this proposal see: The Children’s Society, Citizens Advice and Disability Rights UK (2012) “*Holes in the Safety Net: The impact of Universal Credit on disabled people and their families.*”