

# Welfare Reform and Work Bill: Report and 3<sup>rd</sup> reading

## *Measuring in work poverty*

### Introduction

The Welfare Reform and Work Bill includes the repeal of the income targets and associated duties to eradicate child poverty set out in the Child Poverty Act 2010. The Children's Society has a number of concerns with regard to the impact of these reforms on all children living in poverty and material deprivation, including children living in low income working families. This briefing outlines these concerns and urges members to support **Amendment 18** to introduce a low income measure in the life chances reporting requirements.

#### Key points

- 3.7m children in poverty after housing costs
- Latest Government statistics show 200,000 more children living in severe poverty
- Majority of children in poverty - 62% - are living in working households
- The current life chances indicators require reporting on children in workless families and on educational attainment. They do not include measures recognize the impact of low income on children's life chances.
- In particular, the reporting requirements have no reference to the impact on children's life chances of living in low income working family.

### 1. The introduction of Life Chances measures

Clauses 1-4 of the Welfare Reform and Work Bill introduce new reporting obligations on full employment, apprenticeships, troubled families, and workless households and educational attainment respectively, while Clauses 5-6 repeal the majority of the Child Poverty Act including any income based measure of poverty, which is currently reported on.

Whilst we welcome the inclusion of additional measures around educational attainment and worklessness, which would help to supplement the existing income based measures, we are concerned that the changes set out in the legislation fail to recognise the importance of low income to children's life chances, and that they overlook the two thirds of children in poverty who live in working households.

### 2. Why the proposed life chances measures are insufficient

We believe that recognising the importance of income to families with children living in poverty should be central to Government reporting and policy. The legislation, if passed in its current form, would see the removal of any income based measure for child poverty, by focussing principally on educational attainment at Key Stage 4 and the number of children in workless households. However, recent evidence demonstrates that these measures alone would be insufficient to adequately capture the extent and impact of child poverty in the UK.

The importance of family income is highlighted in the recent research by the Social Mobility and Child Poverty Commission which highlights that:

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“Children from less advantaged family backgrounds who were high attaining in early cognitive skills assessments are found to be less able or at least less successful at converting this early high potential into career success.”

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The report goes on to explain that “*families with greater means at their disposal, financial and otherwise, are assisting their children to accumulate skills, particularly those which are valued in the labour market.*” For example, the study finds that children from higher family income groups at the age of 10 are more

likely to have high hourly labour income at age 42 while the opposite is true for children from lower family income groups<sup>1</sup>.

Given evidence about the impact of family income on children's success in the labour market in adulthood, reporting on a measure focussed solely on children in workless households will not address the pernicious effects of childhood poverty or indeed improve the life chances of millions of children in the UK.

The new measures are particularly concerning given that they have no reporting requirements directly related to the life chances of children in poverty in working families. In recent years the proportion of families in working poverty has grown substantially. The UK currently has one of the highest rates of low pay in the developed world: over 20% of full-time employees earn less than two-thirds of the pay of the median full-time worker compared to 16% in the OECD as a whole. Furthermore, recent Government data highlights that the majority of children in poverty - 62% - are living in working households<sup>2</sup>.

Relative low income is a widely used measure both in the UK as well as internationally: where by children are considered to be poor if they live in households with income below 60% of the household median. This child poverty measure recognises that it is not enough that children's basic needs are met – that they have food, shelter and clothing (although our research highlights that this is not the case for many children living in poverty in the UK today), but they also require the resources necessary for them to participate in the same activities as their peers. Relative child poverty allows us to capture the idea that being poor is in part about children being excluded from participating in what are considered to be 'normal' activities for their peers – things that others take for granted.

Government data released in July<sup>3</sup> revealed that whilst child poverty remained static between 2012/13 and 2013/14 at 3.7m children in poverty after housing costs (AHC), the number of children in families living on less than 50% of medium income has risen from 2.2m to 2.4m – meaning that there are 200,000 more children living in the most severe poverty. Although much progress has been made already in lifting children out of poverty, eliminating income based targets now would divert attention and much needed action from these important goals.

## **The inclusion of an income based measure in Life Chances assessment – Amendment 18**

### **Amendment 18:**

Clause 4, page 4, line 41, at end insert—

- (e) Children living in low-income households
- (f) Children living in material deprivation

Amendment 18, as set out above, would see additional measures of children living in low income households, and children living in material deprivation, added to the reporting obligations of Government under the new Life Chances measures. The Children's Society supports this amendment and would also urge Members to do so.

### **Questions for the Minister**

- Can the Minister confirm whether his Department will still collect income based statistics for the Households Below Average Income data? If so, can he confirm why the Government will no longer report on this?
- Can the Minister confirm that the Government will ensure that moving back into work will mean an increase in overall family income, and not just a reduction to the overall cost of welfare?

<sup>1</sup> Social Mobility and Child Poverty Commission (2015) 'Downward mobility and opportunity hoarding':

<https://www.gov.uk/government/publications/downward-mobility-and-opportunity-hoarding>

<sup>2</sup> Households Below Average Income (HBAI) - An analysis of the income distribution 1994/95 – 2013/14 - June 2015:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/437246/households-below-average-income-1994-95-to-2013-14.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/437246/households-below-average-income-1994-95-to-2013-14.pdf)

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