



Citizens Advice submission to the Work and Pensions Select Committee's inquiry on child poverty – May 2009

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Introduction

This submission focuses on the need to:

- tackle benefit take up – both to directly improve incomes of families and to help improve incentives to work;
- address low levels of adult rates of benefit;
- address the impact of benefit sanctions;
- address barriers to work, particularly caused by the complexity of the benefit and tax credit system; and
- examine the impact of school costs on low income families.

Citizens Advice welcomes this opportunity to submit evidence to the Inquiry of the Work and Pensions Committee into Child Poverty. In 2008/09 the Citizens Advice Bureaux in England and Wales advised on 6 million client enquiries. Of these, over 1.7 million concerned debt and over 1.5 million were about benefit and tax credits. Many Citizens Advice Bureaux clients are disadvantaged, live on low incomes or benefits, and face multiple forms of inequality and exclusion. Citizens Advice Bureaux clients are more likely to be lone parents, in social grades C2DE and unemployed, or living in social housing. We have contributed over several years to discussions on welfare reform, as well as submitting evidence to previous Committee inquiries. Recent Citizens Advice reports have highlighted some of the experiences of our clients in this area, including 'End child poverty', (2008), 'Barriers to work' (2008) and 'Not getting through' (2007).

Citizens Advice agrees with the principle that work is an important route out of poverty for many households – but we stress that it is not necessarily true for everyone. Government must continue to design and deliver appropriate support for families in which parents cannot work, either because of illness or disability, or because their youngest child is better supported by having a parent at home. Work does not always combat poverty and 29% of children in poverty live in households where 1 or more adults are in full time work.¹

Benefit take-up

Low take-up of in-work benefits means that many families are not lifted out of poverty through work. The Department for Work and Pensions (DWP) estimates that up to £10 billion of means-tested benefit money goes unclaimed each year.

Housing Benefit (HB): Since 1997-98, overall take-up of HB has fallen by at least four percentage points. Take-up for households in work is only around 50% [range 41%:54% (2006/7 stats)]. **We would like to see an overall HB/CTB target of 75%.**

Child Tax Credit (CTC): Although the take-up of CTC is relatively high overall (between 79% and 83% by caseload²), regional variations are significant and vary by caseload from 74% in London to 87% in the North East.³

¹ An analysis of the income distribution 1994/95 – 2007/08, DWP May 2009

² A drop from 80-84% from the previous year

³ <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwctc-take-up2006-07.pdf>

Maternity grants: The Sure Start maternity grant is delivered by DWP, but the Department estimates that take-up by families not in receipt of income support or income-based JSA is only 46-59%. As with the new health in pregnancy grant (HMRC) and healthy start vouchers (DH), applications are dependent on having sought advice from a health professional. Each of these benefits however, is administered by a separate Government department. This means that at present it can be complicated for claimants to claim their full entitlements. The new universal health in pregnancy grant provides opportunities for increasing take-up of the sure start maternity grant and it is essential that DWP, HMRC and DH work together in the advertising and administration of these benefits.

We would like HMRC to work together with the DWP and local authorities to ensure that Jobcentre Plus advisers and officials are trained to maximise household income by promoting take-up of benefits, regardless of which department delivers them.

We urge Government to set take-up targets for the take up of all the above benefits, together with clear action plans for increasing take-up, especially amongst claimant groups and in regions where take-up is low.

Disability benefits: there continue to be clear links between the incidence of disability in a household and poverty. The recently published Households Below Average Income⁴ figures show that the risk of living in relative low income has increased for families where at least one adult or one child has a disability. The risk for families where there is no disabled adult and at least one disabled child has increased from 20 – 26% since 2005/06, and for families where there is both a disabled adult and a disabled child, from 24 – 33% over the same period.

It is particularly difficult to measure take-up rates of Disability Living Allowance (DLA) and Attendance Allowance (AA) because national levels of disability are unknown. As it is, the best estimate is that take-up is between 40 and 60 per cent in the case of AA, between 30 and 50 per cent in the case of the DLA care component and between 50 and 70 per cent in the case of the DLA mobility component.⁵ Establishing a take-up rate for DLA/AA would enable the DWP to measure progress towards increasing the number of eligible disabled people claiming the benefit.

Every Disabled Child Matters estimates that take-up of DLA for children is about 50%, which means that over 100,000 families are missing out on significant financial help. Bringing up a child with a disability costs three times as much as bringing up other children. Over one in five families with children with a disability cannot afford to feed their family properly, and only 6% of these families are 'comfortably off', with 93% reporting some form of financial difficulty.⁶

The Pension, Disability and Carers Service (PDCS) has undertaken work to increase awareness of DLA (child), primarily by getting more information to medical practitioners, social workers and other professionals who have contact with disabled children and their families. They have also undertaken a review of the DLA (child) claim form, to make it shorter and more accessible. This work is welcome and will help to increase take-up. Take-up of DLA (child) has a multiplier effect - entitlement to child tax credit is increased through the disability element, resulting in significantly increased family income.

We want to see a similar commitment to the accessibility and take up of adult DLA. PDCS believe that a large percentage of claims made for DLA (adult) are inappropriate because the claimant doesn't have the necessary care or mobility needs. PDCS has introduced a checklist for

⁴ An analysis of the income distribution 1994/95 – 2007/08, DWP May 2009

⁵ Craig, P. and Greenslade, M. (1998) Preliminary result from the 1997/98 Disability Survey follow on to the Family resources Survey March 1998.

⁶ 'Disabled children and child poverty briefing paper', Every Disabled Child Matters campaign, 2007

adult DLA to enable people to judge whether their claim is likely to be successful before submitting it. We understand the desire to reduce inappropriate applications, but are concerned that the checklist will dissuade potentially eligible claimants from applying. This is of particular concern given the continually high rates of DLA decisions that are overturned at appeal. Bureaux have highlighted the use of the checklist on the DLA helpline, reporting that helpline staff typically use one or two examples from the checklist, which may not be relevant to the claimant's own circumstance, but which may be enough to dissuade them from applying.

Entitlement to DLA continues to cause confusion amongst potential claimants and Jobcentre Plus staff. It is common for Jobcentre Plus staff to suggest that people should claim DLA "because they have a disability" even though they may not have significant care or mobility needs. It is also a widely held misconception that DLA is an out-of-work benefit. As a result, people fear that their DLA will stop if they begin work, even though this is not the case. Even undertaking a training course can trigger a review of DLA. **We believe that the DWP needs to consult and be explicit about how it plans to deal with this issue, if disabled people are to be confident about returning to work.**

Benefit levels

Rates of means-tested benefits have not kept pace with wage increases since changes to uprating in 1980. The adult rate of benefit - at £64.30 a week - is less than half the minimum weekly income standard of £145, for a single working age person⁷. This must partly explain why the likelihood of a child being in poverty when both adults are out of work has not decreased since 2005/06. (After an initial drop to 64 per cent in 2005/06, this likelihood rose the following year to 68 per cent and remains at that level)⁸. The rises in child benefits now means that children under 14 in unemployed households are no longer in poverty because the value of benefits for children are too low, but because the value of adult benefits are too low.

The impact of benefit sanctions

Income support for lone parents is currently £64.30. The increasing obligations on them to undertake work-related activity will increase the likelihood of sanctions applied to their benefits, which would quickly force them below the poverty level. (In contrast, Employment and Support Allowance, is paid at a rate higher than basic JSA, so if claimants are sanctioned, they will not immediately find themselves on such minimum levels).

DWP's own research found that imposing a sanction for failing to attend a work focussed interview had 'negligible' effect on a lone parent's labour market decisions. It also found that lone parents who had been sanctioned were more likely to suffer from poor health - both in themselves and in their children - were more likely to have debts, and were less likely to check benefit payments, even when the amount received was believed to be incorrect.⁹

The same research highlighted the key barriers for lone parents actively seeking work. The experience of bureaux suggests that addressing these barriers would be more effective than imposing sanctions.

⁷ Kenway, P, Should adult benefit for unemployment now be raised? JRF, April 2009

⁸ CPU, analysis of HBAI stats, May 2009

⁹ Goodwin, V, DWP Research Report No 511, The effects of benefit sanctions on lone parents' employment decisions and moves into employment, 2008

Breaking down the barriers to work

In 2008 Citizens Advice reported on the barriers faced by lone parents trying to move into and sustain work¹⁰:

- Lone parents worry about combining work with their childcare responsibilities and may not be aware of, or lack confidence in, their right to request flexible working.
- Financial stability is vital, but is often hard to achieve: some lone parents moving into low-paid jobs find they are worse off in work in the longer term, than living on benefits.
- The complexity of the combined benefits and tax credits systems is confusing.
- Keeping a roof over the family's head is equally critical, but housing often comes under threat as income levels fluctuate.
- As well as financial issues, single parents face significant problems with juggling family needs by themselves, especially finding affordable good quality childcare.

Complexity of the benefit and tax credit systems

Tax credits form a vital component of the Government's strategy for tackling child poverty and making work pay. 1.7 million families now rely on working tax credit to supplement their earnings from work and to fund their childcare costs¹¹. CAB evidence suggests, however, that when people rely on a combination of earnings, tax credits and means-tested benefits, they face numerous problems understanding their entitlements, and keeping up with changes. Advisers report clients who choose to give up part-time work to improve their financial stability because the present system is too complex and unreliable.

A CAB adviser described how one of his clients regularly faced bailiff action for council tax arrears and possession action for rent arrears because the systems could not keep up with each other. Eventually she gave up paid work with the plan of only returning when she could find full time work.

Few people realise that help with childcare costs is provided through both the housing and council tax benefit system *and* the tax credits system. For claimants in low-paid work and with high childcare costs, tax credits provide help for up to 80 per cent of the costs, while the housing benefit and council tax benefit system provides an additional 17 per cent for eligible claimants. This means that two tapers apply and that claimants have to report changes in childcare costs to two different departments. It also means that owner-occupiers in low-paid work get less help with childcare costs because they are not eligible for housing benefit.

We have asked the Government to examine ways of supporting childcare through one system. This could be by using the childcare element of tax credits, thus creating one mechanism to help low-income tenants and home-owners alike with their childcare costs. Adding a housing element into working tax credits would also help move many low-income workers from dependence on housing benefit and associated high marginal deduction rates – which would help make work pay. ***The committee may like to ask ministers for their view on removing help with childcare costs from housing benefit / council tax benefit.***

¹⁰ 'Barriers to work', evidence briefing, Citizens Advice, 2008

¹¹ Child and working tax credit annual statistics, Finalised annual awards 2007/08, National Statistics 2009

Further complexities result from the fact that housing and council tax benefits are assessed weekly, while tax credits are assessed annually. Definitions of 'income' are therefore different for different calculations. Tax credits awards are based on an annual entitlement, while housing and council tax benefit are based on a household's actual circumstances in a given week.

Tax credit income is taken into account when calculating housing and council tax benefit, so the higher the tax credit payments the lower the housing benefit payments. Families therefore do not keep all of their additional tax credit income as it is clawed back in reduced housing and council tax benefit payments. If at the end of the year too much tax credit has been paid, the Revenue recovers the full amount of tax credit. Housing and council tax benefit entitlement will not, however, be reassessed. A family might therefore have to repay more money than they actually received. ***The committee may want to ask ministers if this is acceptable.***

Families who repay a tax credit overpayment direct to HMRC by direct debit also lose out by comparison with families who have their overpayments recovered from their ongoing awards. Families in the latter position will have reduced incomes and could be entitled to more housing and council tax benefit as a result.

The complexity of these interactions causes confusion and complexity which serve as significant barriers to work. It can also lead directly to poverty for those on the lowest incomes. **We urge Treasury and DWP ministers to work together to resolve these issues.**

Being better off in work

Our research emphasises the importance to lone parents of *actually* being better off in work than on benefits, taking account of all the additional expenditure and effort associated with working.

It is not right that Jobcentre Plus' better-off calculations are limited to changes in benefits and tax credits, and do not include the loss of 'passported' benefits such as free prescriptions and free school meals, nor the extra costs associated with working (travel, clothes, lunches, extra childcare) - all of which can completely wipe out any small gains in earned income.

We are also concerned about the impact of boosting people's income using temporary measures such as the in work credit and the even shorter term 'better off in work credit'. When these credits run out, and tax credits drop once the 25,000 income disregard no longer applies claimants can find that that the financial benefit of being in work disappears. If ill prepared for this they can run into debt or worse still leave work again. The evaluation of the in-work credit pilots found them to be most successful in providing financial assistance (to deal with debts) for those who would have returned to work anyway, rather than helping lone parents who faced serious financial barriers to work¹².

Employment rights and flexible working

The DWP and Jobcentre Plus could play a key role in ensuring that claimants, in particular parents, know their employment rights to help boost their confidence about moving into and sustaining paid work. Jobcentre Plus personal advisers should all receive training on employment rights and these rights should be covered in group work preparation sessions. Leaflets jointly produced by DWP and the Department for Business, Enterprise and Regulatory Reform should cover what to do if an

¹² Brewer, M et al, DWP research report 415, The lone parent pilots after 12 to 24 months: an impact assessment of In-Work Credit, Work Search Premium, Extended Schools Childcare, Quarterly Work Focused Interviews and New Deal Plus for Lone Parents, March 2007

employer denies an employee their fundamental rights, and should be given out to clients completing Jobseeker's Agreements and at work focused interviews.

School costs

Citizens Advice have long highlighted the impact of school costs on low income families. It is important that costs of trips and uniform do not disadvantage children from low income families. Having a positive experience at school, helps break the cycles of educational disadvantage. We are concerned that the latest research by the Department for Children, Schools and Families found that costs faced by parents had not reduced between 2003 and 2007, despite improving guidance to schools – particularly on uniform policies.

The loss of free school meals and help towards trips and clothing can also make it harder for parents to sustain work.