



WELFARE REFORM AND WORK BILL 2015

UNISON Parliamentary Briefing July 2015

Only well paid, decent quality jobs for the low paid can help low paid families out of poverty

The Welfare Reform and Work Bill 2015, and other non-legislated welfare reforms, continues the Government's emphasis on freezes, cuts, removals, reductions and abolitions of benefit and tax credit entitlements, along with the abolition of important key measures to target a reduction in poverty.

It's not just about numbers

The Government claims that work should offer a guaranteed route out of poverty. Yet in today's low paid economy this can only be secured if work pays well enough, and the job is of decent quality to give people a sufficient income. It's not just matter of numbers and how many jobs there are for people. Whilst job creation is vitally important, so too is the quality and types of jobs, if low paid families and the vulnerable are to be provide a route out of poverty.

The rise in 'in-work poverty households', accounting for 63% of child poverty, is due to low pay, and underemployment, which includes insufficient hours and insecure work. Low paid workers have, in the last 5 years of welfare reform, repeatedly told the Government that whilst pay is a vital component, people also place a high value on satisfying, secure and suitable work, as well as jobs which provide a sufficient income.

UNISON welcomes the Government's commitment to report every year on the number of new jobs created but believes that without any measurement on the quality of those jobs, their impact on the reduction of poverty, wages and the decrease in underemployment, they offer no real guarantee for families escaping from 'in-work' poverty. What we need therefore in the Welfare Reform and Work Bill is a commitment from the Government to encourage employers to provide decent jobs, wages and work practices, and the measurement of this provision.

'Decent work' includes fair pay, job security, mental health, recognition of overtime, work-life balance, job satisfaction and autonomy, safety, achievable work, skills development, and effective management. A focus on the responsibility of employers to ensure their employees earn enough to maintain a decent standard of living is also a welcome move in the Bill. However, given the lack of clarity on how this will be monitored and encouraged, UNISON, along with key welfare organisations, is calling for a new 'Decent Work Index'.

This would involve the inclusion of measures on both the quality and types of jobs created each year, and would also provide measures that employers can take to create a workplace environment which would promote decent work.

Measures in the Bill to address poverty in low income households are insufficient

The Bill also abolishes key parts of the Child Poverty Act 2010 which will also further undermine targeted support for low-income households. Working families with children have already borne the brunt of changes to social security that were seen in the last Parliament. By abolishing key measurements of income poverty linked to tackling child poverty, it now means that the links between income and poverty will no longer be sufficiently recognised.

Increasing wages and reducing benefits - counting the winners

The Institute for Fiscal Studies (IFS) has produced an analysis of the impacts of the announcements on benefits from the Summer Budget. It found that:

- 2.7 million people (OBR estimate) who earn below £9.35 per hour in 2020 would see some form of hourly pay increase. Most of these people are likely to be working part-time and likely to be female;
- The “National Living Wage” is likely to be £9.35 in 2020 (OBR), which means that for those people working 35 hours a week currently on the NMW and over 25 years old, they will see an overall increase of just over £5,000 a year, before tax. However, the IFS has found that a combination of the various social security reductions will cost households approximately £5,500 a year, thereby cancelling out any increases in income through increasing low wages;
- Work allowances are being reduced to £3,850 from £6,420. Universal Credit will be withdrawn immediately for non-disabled childless households. 3 million families will lose around £1,000 a year, and it will potentially weaken work incentives;
- Freezing benefits for four years will reduce income by £260 a year for a family on average, and by £280 a year for those in work (13 million people in total, 7.4 million of which are working);
- Abolishing the family element of child tax credit will affect 4 million families, who will lose £545 a year;
- Removing child tax credit entitlements for third and subsequent children will reduce support for a number of families. Currently 872,000 families receive an average of £3,670 a year (548,000 in work).

Women will be the overall losers

- The gendered impact of the new Bill is negative in terms of reduction of child benefit after two children, and the reduction of the family allowance, which is paid to the primary carer, usually the mother;
- The negative gender impact is compounded by the other proposed reductions in earnings disregards. This will have the effect of reducing work incentives, especially for second earners, who tend to be women
- The Women’s Budget Group have found in their gender analysis of the Budget that women are overall losers in the Summer Budget;
- Overall, if they aren’t already in work, women are likely to be negatively impacted by the cuts to social security because the net loss is greater, and there is less incentive to move into work with the changes.

UNISON believes that the Bill represents a backwards step in terms of poverty eradication in the UK. It will reduce people’s income so much that achieving a Minimum Income Standard for the poorest will no longer be achievable in the UK. The need for food banks and personal debt is certain to rise in the poorest households. Women will face more financial barriers affecting their ability to lift themselves and their families out of poverty.

UNISON key recommendations for the Welfare Reform and Work Bill 2015:

- That measurements for the quality of jobs and a ‘Decent Work Index’ are developed and included in the Bill alongside total numbers of jobs;
- The Child Poverty Act be retained. Specifically, its name and the requirements on Local Authorities to have regard for it and the current measurements of poverty;
- That these measurements are supplemented to address low pay and poverty by developing a poverty strategy, making a commitment to provide more affordable social housing, and addressing UK economic inequality;
- That any changes to welfare reforms are considered for their potential negative impact on work incentives, particularly the abolition of Employment and Support Allowance Work-Related Activity Component for people with disabilities;

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- An impact assessment on the cumulative impacts of the proposed reforms on different types of people, for example young people, people with disabilities, families with children, lone parents and older people;
- A gender analysis and impact assessment of welfare reforms be undertaken before any are implemented.

Now that the Bill has received its Second Reading, UNISON urges MPs to put forward their concerns by:

- Asking a question to the Secretary of State for Work and Pensions at the next Work and Pensions Questions in the House of Commons on Monday 7 September 2015;
- Tabling amendments to the Bill during Public Bill Committee sessions after Summer Recess;
- Speaking during the Third Reading debate.

Please support the measures proposed by UNISON and other leading welfare reform organisations

If you would like any further information on any aspect of this briefing, please contact Allison Roche, UNISON Policy Officer for Welfare Reform, via a.roche@unison.co.uk