Welfare Reform and Work Bill Second Reading Briefing

November 2015

UNISON believes that the measures set out in the Welfare Reform and Work Bill 2015 further continues the Government's emphasis on freezes, cuts, reductions and abolitions of benefit entitlements, along with the abolition of important key measures to target a reduction in UK poverty.

This briefing sets out 5 key priority concerns which highlight that measures in the Bill will not fundamentally address the employment and financial support needs of low paid families and the vulnerable, nor do they enable these groups to be given a secure future route out of poverty or low pay. Instead they are likely to ingrain poverty and low pay further.

1. Decent work and quality apprenticeships

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.

Job creation in the current context of benefit changes to in-work benefit support may offer no real guarantee for families escaping from 'in-work' 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.

A focus on the responsibility of employers to ensure their employees earn enough to maintain a decent standard of living is 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' in the Welfare Reform and Work Bill.

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.

Again with apprenticeships UNISON welcomes the Bill's obligation on the Government to publish an annual report on progress against meeting its target of 3 million new apprenticeships. The roll out of new apprenticeships will cover a wide range of people with specific diverse training and apprenticeship training needs coming from different entry points. To ensure quality and decent pay, as well as terms that are embedded in the new 3 million rollout, we need to make sure that the government has in place the right investment model and inclusive approach to monitor and increase the number of high quality apprenticeships.

This summer, UNISON conducted an in-depth survey of 139 young apprenticeships in health, social care and local government. The results showed that the quality, pay, terms and conditions, skills and training received by apprentices from their employer varies widely – even within their own sectors.

Key statistics from the survey include:

- 22% of apprentices don't receive any on-the-job training and 39% don't receive any off-the-job training;
- Whilst 38% of apprentices that said they do receive 6 or 7 hours of off-the-job training on average each week, more (42%) reported receiving just 1 or 2 hours each week;
- 72% of apprentices don't get a training allowance, but of the very few (3%) that do, said they receive it from their employer;
- Whilst the majority (82%) of apprentices said that they are paid the national minimum apprenticeship rate of £2.73 or above per hour (16-to-18 year olds and those 19+ in the first year of their apprenticeship), 18% of apprentices are paid below the national minimum apprenticeship wage;
- 90% apprentices said they receive holiday pay, 84% of apprentices receive sick pay, but very few apprentices receive a travel allowance/expenses or car allowance;
- Only 27% of apprentices reported getting paid for the overtime they do and a further 10% report getting paid sometimes;
- Of the apprentices that have already completed an NVQ level qualification linked to their apprenticeship, 27% of apprentices received a one-off bonus payment and 54% received a pay increase;
- Of the apprentices still working towards their NVQ qualification, 74% said they don't expect to receive anything extra on its completion. Whereas, of those that do, 26% expect to receive either a pay increase or a one off bonus payment.

By committing the government to report on various information on apprenticeship take ups, including pay, quality of training and skills and job outcomes, we can monitor the move away from low quality apprenticeships to high quality apprenticeships regardless of what entry point apprenticeships enter their training.

2. A UK Poverty strategy

UNISON believes that the Child Poverty Act should be retained, along with child poverty targets and the duties and requirements on the government and local authorities to have regard for it and the current measurements of poverty set out in the Act. Rather than diminishing the Act UNISON would like to see it strengthened with a duty to develop a UK poverty strategy that supplements the current UK Child Poverty Act measurements to address low pay and in - work family poverty. These should include:

a) a requirement to report on income measures alongside the new life chances measures;
b) a thorough impact assessment and annual review of the proposed (and soon to be amended) reductions of support for low income working families as set out in the *Tax Credits - Income Thresholds and Determination of Rates - Amendment Regulations 2015.*

UNISON's evidence is that one fifth (3.5m) working housing holds will not be better off under the proposed. 3.3m low to middle-income working households on tax credits, 2.7m of which have children, will on average worse off with an income loss of £1,054 per year. Our calculations in fact show that the only way in which you would not lose as a result of the changes, would be if your household income was less than £3,850 per annum[1];
c) a focus on tackling rising in-work poverty to identify drivers of in-work poverty in the labour market;
d) a housing strategy to provide more affordable social housing for low income households and to review methods and modelling to cap private sector rents;
e) a family childcare strategy to provide affordable universal childcare;
f) a regional economic strategy to address UK regional economic inequality.

[1] UNISONs evidence of the impact of the cuts in WTC https://www.unison.org.uk/our-campaigns/drop-the-2015-tax-credit-cuts/

3. Supported Housing exemptions from the 1% rent reductions

UNISON is calling for the removal of supported housing, which meets the definition of Specified Accommodation, from the mandatory 1% annual reduction to social rents for the next four years.

Housing and welfare reforms combined, including the reduction in housing association stock that could result from the Housing and Planning Bill 2015, and the rent reduction policy contained in the Welfare Reform and Work Bill 2015, will place additional pressures and financial burdens on social landlords to manage supported housing services.

Supported housing caters for a wide range of tenants with specific needs that require varying degrees of support. This type of housing is already subject to very tight margins across the board; it relies on contracts for care or support services, and there are no alternative models for housing provision of this kind. Between 2011- 2015 funding for housing related support was reduced by 45% on average, according to the National Audit Office, at the same time as demographic changes have led to greater demand and more complex needs. It is a part of the sector that is particularly vulnerable to any reduction in its income.

The provision of supported housing is specifically designed to help disadvantaged people to achieve or remain as independent as possible and live healthy lives. It is unclear what would happen to the people currently living in supported housing, run by housing associations, for those who are already waiting for supported homes, as well as the increased numbers of people needing supported housing in the future. The impact of the reduced rents means that there could be a decrease in this service provision in local communities if housing associations no longer deliver this unique service.

As it stands, the new rent reduction measure proposal in the Welfare Reform and Work Bill 2015 would lead to a loss of existing supported housing schemes for disadvantaged people e.g. older people, people who are homeless, people with mental health problems, people fleeing domestic violence, people with learning disabilities and others. There would also be a reduction in the number of schemes developed for this range of client groups, with housing associations already reporting that they are withdrawing from planned development.

Housing associations' financial modelling indicate the issue of viability applies to all sizes of housing association when considering the feasibility of providing supported housing on a scheme-by-scheme basis. This means the question facing us is about the future of supported housing for disadvantaged and older people, not merely the future of individual organisations.

For example, St Mungo's Broadway provides accommodation and support to 3,800 people each year across London and the south of England. They estimate that the 1% annual rent reduction requirement would result in the loss of £1.25 million in rental income to them by year four - between £250,000 and £300,000 each year. Taking into account the rental income they had anticipated over this period, the overall impact on the organisation's finances over the four year period is £4 million.

UNISON is concerned that this loss of income would force some projects to close resulting in the loss of accommodation for homeless and disadvantaged people. The loss of secure housing association tenancies with supported living programmes that assist vulnerable people with employment support or life skills will disappear unless Local authorities take up this service provision.

4. Support for carers

The Bill undermines support for carers in a variety of ways:

- Restrictions of Child Tax Credits to only 2 children;
- Low paid parents of a disabled child will lose out on child tax credit of over £50 per week at current rates;
- The 'standard child element' (£2,780 for 2015-16) will not be paid for any third or more disabled child born after 2017;
- Conditionality of responsible carers means many parents and of disabled children (aged 3 – 4) will now have to look and be available for work – except for those receiving middle & higher rate care component of DLA.

The removal of any proposed changes to welfare reforms that have not been considered for their potential negative impact on work incentives must be re considered.

The Government is seeking to limit the per child element of Child Tax Credit (and the equivalent child element of Universal Credit) to two children per family. UNISON is opposed to this because it is likely to have a discriminatory and detrimental impact on certain social groups:

- children in larger families are already 1.4 times more likely to be living in poverty than families with one or two children;
- it stigmatises families with more than 2 children;
- it disproportionately affect black and ethnic minority (BME) who are more likely to live in poverty and have larger families;
- women fleeing from domestic violence may have more than 2 children and should not be penalised;
- vulnerable groups such as those with mental health issues, women suffering from rape and abusive relationships, families and children in adoption and foster care relationships and kinship family carers.

Under Universal Credit the restriction is likely to deter parents from moving into work, because if they move into employment but subsequently lose their job they will no longer be entitled to the "child element" of Universal Credit for more than the first two children. However, if they are already claiming out of work benefits they would not be hit by the reduction in support. We therefore believe that the restriction does not provide a sufficient incentive to work.

UNISON is also particularly concerned about the implications of the proposed changes in conditionality for responsible carers on Universal Credit. This would see responsible carers with a child aged 3 or 4 being allocated to the All Work Related Requirements group and requiring them to look for, and be available for work.

Whilst UNISON recognises that the government has committed to 30 hours of free child care for working parents of three and four year olds in England, there is no guarantee that carers would automatically be able to meet the proposed work conditionality.

Extending 3 and 4 year old childcare offer from 15 to 30 hours per week for working families will provide a welcomed entitlement of £2,600 per entitled child (based on the average cost of £69 per week for 15 hours of nursery care, and additional help for 38 weeks of the year). However:

- Only the pilots start in September 2016. It's yet to be announced where the pilot areas will be, or how long it will take before the scheme is available nationwide;
- Not everyone is eligible - the extra 15 hours are only available to working parents and those earning under £150,000. This is different to the current free childcare scheme which is open to everyone;
- The Government website says the new scheme will be available for around 600,000 working families in England but there is no mention of devolved regions;

- There are concerns within the nursery industry that the grant supplied by the Government is not going to be enough to cover the costs of the current scheme;
- According to educational charity the Pre-school Learning Alliance, the true cost to provide the childcare is typically £4.53 per hour but the Government will allocate only £3.88. Therefore parents may have to provide 20% of the costs.

UNISON would like the Secretary of State to delay the conditionality proposal until:
- he has undertaken a full review of the sanctions regime and in work conditionality and has issued guidance on the use of sanctions in respect of families with young children;
- he exempts appropriately carers with certain restrictive conditions, vulnerabilities and responsibilities making it difficult to meet the conditions for example those carers with disabled children aged 3 or 4;
- he sets out what childcare will be available to parents who are looking for work and after the Childcare Bill 2015 has been implemented in full and parents of three and four year olds can access appropriate childcare;
- he publishes an assessment of the impact of the new requirements on parents outside England, in the context of childcare entitlement in the devolved nations.

5. Support for disabled people
One in three, (3.7 million) disabled people now live below the poverty line. UNISON believes that the culmative impacts on disabled people are punitive and will only increase the number of disabled people in poverty. This is because:
- Disabled people and carers are not exempt from the Benefit Cap unless they or anyone in the household (a partner or dependent child) is getting attendance allowance, DLA/PIP or the employment and support allowance support component;
- Disabled recipients of ESA (work related activity group), JSA, Housing Benefit and Tax credits are not exempt from the benefit cap;
- By November 2013 - £46 and £70 a week was lost from half of those capped and the new proposed cap is going to impact on a further 90,000 households;
- In addition there will be a freeze for 4 years on Tax credits, Housing benefits, basic ESA rate and JSA until 2020 for disabled people;
- Access to Work funds have also been capped so there is now less funding for disabled people in work to meet their adaptation needs.

The abolition of Employment and Support Allowance Work-Related Activity Component for people with disabilities will remove £1,500 a year (approximately £30 a week) off the employment and support allowance paid to claimants who are deemed temporarily unable to work because of illness or disability. This will mean hardship faced by 500,000 affected people:
- The largest group of 250,000 are classed as having ‘mental and behavioural disorders’;
- The second largest group have 86,000 musculoskeletal system and connective tissue disabilities;
- And 8,000 have progressive incurable conditions.

The Government says the EIA payment is a disincentive to work even though this group has been medically signed off as unfit for work. UNISON believes that there is no link between improved employability prospects for people with disabilities and a reduction in their employment support benefit.

There is a success rate of only **6.4%** of all job outcomes are being achieved by disabled people on the Work Programme and only **17.6%** of starts are obtaining a job on the Work Choice programme. This is largely due to poor quality employment support services for people with disabilities.

Therefore, a more holistic approach to delivering employment support for people with disabilities is needed.

UNISON would like to see amendments in the Bill that provide a real focus on improving employment support and sustained work opportunities for people with disabilities. These improvements should include provisions for:

- *more intensive personalised support*
- *holistic management of health conditions, mental ill health and disabilities with support to re-enter the labour market*
- *a commissioning process that prioritises bids that can demonstrate links to wider local services, such as health and social care services funded support with the cost of workplace adaptation for employers*
- *Sufficient funding of the Access to Work fund to enable both employers and employees to benefit from the necessary and sometimes costly adaptations to meet disabled peoples needs*

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