



## Welfare Reform and Work Bill 2015–16

Written Submission to the House of Commons Public Bill Committee, 21 September 2015

### KEY POINTS

This written submission is based on Oxfam's programme work over twenty years in some of the poorest communities in England, Scotland and Wales, and on extensive consultation with other charities working to tackle domestic poverty and inequality. It outlines nine key recommendations for improving the proposed Welfare Reform and Work Bill, which is currently passing through Parliament:

- To require the annual report on progress towards full employment to also report on what government is doing to encourage moves towards 'decent work' and job quality;
- To include a definition of full employment as 80 percent of the working age population to ensure that the UK achieves the highest rate of employment in the G7;
- To require the report on full employment to also include a statutory duty to report on progress towards halving the disability employment gap;
- To extend the report on full employment beyond the life of the current Parliament;
- To ensure that the ambitious national target for three million more apprenticeships is not implemented at the expense of developing quality schemes that genuinely improve outcomes for those young people least able to access the labour market;
- To leave the Child Poverty Act 2010 poverty measures and targets unchanged as the best portfolio of measures to track poverty progress over time;
- To retain poverty within the remit of the Social Mobility and Child Poverty Commission so that governments are held to account on their plans and actions to reduce poverty for all ages;
- To not further lower the benefit cap, and instead continue to retain the current link between the existing benefit cap and estimated average earnings and regional variations to account for different housing costs, while ensuring that those benefit claimants who find it most difficult to undertake work are exempt from the cap;
- To not automatically freeze a range of welfare benefits for four years, but instead adopt a more flexible approach to balance deficit reduction with preventing a detrimental impact upon those with the lowest incomes.

## 1 INTRODUCTION

### 1.1

Oxfam welcomes the opportunity to submit evidence to the House of Commons Public Bill Committee, which is currently undertaking important detailed examination of the Welfare Reform and Work Bill. We offer our written evidence to all Committee Members to inform their consideration of the Bill. As directed, we have chosen to concentrate on the aspects of the Bill where we have most experience and knowledge of lived realities rather than try to offer a comprehensive analysis, and therefore focus on the clauses of the Bill specifically relating to:

- **Clause 1: Full employment**
- **Clause 2: Apprenticeships**
- **Clauses 4–6: Reporting Obligations, Social Mobility Commission and Other Amendments to the Child Poverty Act 2010**
- **Clauses 7–8: The Benefit Cap**
- **Clauses 9–10: Benefit Freezes**

### 1.2

As guided, our submission is focused on suggesting amendments to the Bill with explanation, and makes clear where we support or oppose amendments tabled or proposed to the Bill by others. The required 3,000 word limit of the submission means that we have had to be succinct with our suggestions and **we therefore welcome further opportunity to explain our stated positions in more detail to all Committee members.**

If you would like to arrange a meeting with one of our experts to discuss the key points made, please contact Sebastian Klier, Parliamentary and Advocacy Advisor, Tel: 020 7802 9995 / Mob:+44 (0) 7917 592455 / Email: [msklier1@oxfam.org.uk](mailto:msklier1@oxfam.org.uk)

## 2 FULL EMPLOYMENT (CLAUSE 1)

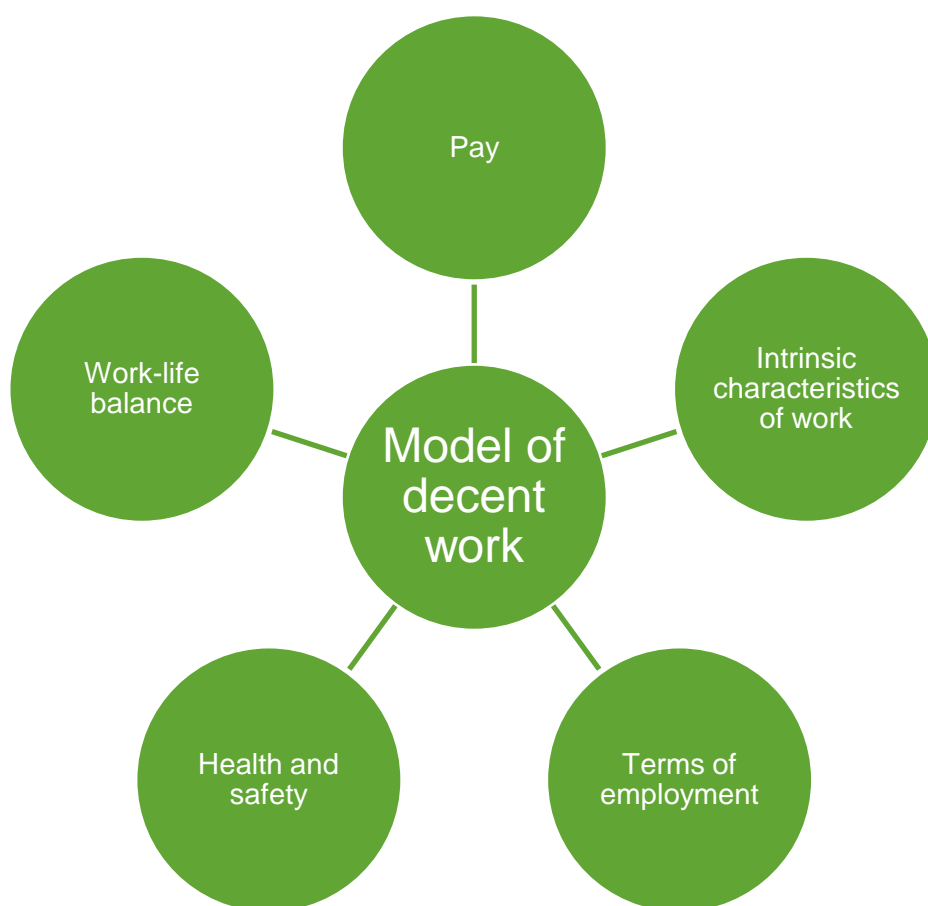
### 2.1 Decent work

Oxfam supports the government's commitment to achieving full employment, and in particular the new requirement to report every year on the number of new jobs created. However, we also know from our UK programme work over many years that for a worrying number of people, the labour market does not offer a reliable and long-lasting route out of poverty. For too many, the jobs available simply pay too little to afford a decent life. Increasing the number of jobs available can therefore only be considered part of the solution to providing people in poverty with an exit route. At the lower end of the job market, low pay, insufficient hours, poor job progression and insecure contracts mean that paid work can still trap people in in-work poverty.<sup>1</sup> Women in particular are estimated to make up 64 percent of low-paid workers,<sup>2</sup> while disabled people are also much more likely to be unemployed or in low-paid work (even with the same qualifications) as their non-disabled counterparts.<sup>3</sup> Oxfam therefore believes we need to look beyond the amount of work available to instead also address significant questions of its quality and type. We refer to this as the need for 'decent work'. This reflects a growing consensus that job quality increasingly matters, and does not trade off the myth of job creation versus job quality. As one of our academic research partners says of the benefits of this

renewed focus: ‘Good job quality makes countries more competitive, companies more productive and workers and their families better off.’<sup>4</sup>

## 2.2 Defining decent work

As much research has shown, job quality is a broad and multidimensional concept such that a consistent, unifying definition of job quality currently remains elusive.<sup>5</sup> At a minimum, decent work incorporates at least the intrinsic nature of work, the contractual arrangements within which work takes place and other aspects of work relations.<sup>6</sup> However, a recent literature review commissioned by Oxfam of the various conceptual frameworks and indices of job quality available leads us to propose that Oxfam best understands ‘decent work’ to revolve around five core dimensions. These are outlined in the following model: pay, intrinsic characteristics of work, terms of employment, health and safety and work-life balance.<sup>7</sup>



## 2.3 Further aspects of decent work

A possible list of aspects that could relate to these five dimensions of decent work is set out in Appendix One. This is proposed as a good starting point from which the government could develop an operationalizable model of job quality applicable to the UK that allows for annual measurement and mapping. We suggest that as part of the Secretary of State’s full employment reporting requirement on full employment progress, a definition of job quality should therefore also be included. Such a definition of job quality must draw upon multi-disciplinary and multi-dimensional research approaches and convene a public consultation, including representation from the country’s policy makers and practitioners (including trade unions), to develop a robust model of job quality applicable to the UK. Such a measure must be capable of assessing and mapping the quality of new jobs created in the UK, identifying ‘hot spots’ and ‘cold spots’ of good and bad job quality by occupation, industry, sector

and region, and also include analysis by sex, race, disability and age of who is accessing which jobs. It must also monitor the quality of new jobs in the UK over time and enable trends, key points and interventions and developments to be identified to improve job quality. This proposal mirrors research on decent work that Oxfam Scotland are currently undertaking as part of the Scottish Government's Economy, Energy and Tourism Committee Inquiry into Work, Wages and Wellbeing.<sup>8</sup> We would be happy to share our research findings with Committee members, which will be available by March 2016.

## 2.4

Oxfam therefore supports **Amendments 106 and NC11**, which require the report on progress towards full employment to also report on what the government is doing to encourage moves towards decent work and the numbers of new jobs created that comply with a definition of 'quality jobs' as determined by a public consultation.

## 2.5 Defining full employment

The Bill currently does not provide a definition for full employment, and this needs to be rectified if it is going to be a meaningful statutory reporting obligation. While there are a number of definitions for full employment that could be deployed, Oxfam favours the 2007 Department for Work and Pensions (DWP) ambitious target of 80 percent to ensure that the UK achieves the highest rate of employment in the G7.

## 2.6

Oxfam therefore supports **Amendment 80** to specify that for the purpose of reporting on progress towards full employment, full employment is defined as 80 percent of the working population.

## 2.6 Disabled people and employment

Oxfam welcomes the government's intention to halve the disability employment gap. Breaking down structural barriers that block disabled people seeking and maintaining employment, where they are able to work, would be a significant step in remedying the disproportionate risk of poverty to which too many disabled people are subject. Oxfam supports our colleagues in the Disability Benefits Consortium in their suggested amendment to also report on progress towards full employment for disabled people.

## 2.7

Oxfam therefore supports **Amendment 2**, which requires the report on progress towards full employment to also report on progress towards the government's stated aim to halve the disability employment gap.

## 2.8 Maintaining the full employment reporting obligation

Oxfam also believes that, given the importance of the government's stated ambition to create two million additional new jobs in pursuit of full employment, the reporting requirement on progress towards full employment should be extended beyond the timeframe of the current Parliament, so that this important aspiration is not simply a party political concern.

## 2.9

Oxfam therefore supports **Amendment 24**, which would remove the provision that repeals the full employment reporting obligation at the end of the current Parliament.

## 3 APPRENTICESHIPS (CLAUSE 2)

### 3.1 The need for apprenticeships to be of quality and targeted to those who most need them

Consistent with Oxfam's key concern to create new 'decent jobs', where the quality and quantity of jobs are both pursued concurrently, similarly, although we welcome the government's stated intention to set a target of creating three million new apprenticeships for young people, we also want to ensure that these opportunities are made available to those who most need them, and are of good quality to enable progression in the labour market. We are disappointed, for example, that the growth in apprenticeships to date has largely benefitted over-25-year-olds.<sup>9</sup> Recent research into economic inequality in the UK<sup>10</sup> has shown that since the economic crisis, young people in their twenties have lost out most across a wide range of outcomes, despite gaining higher qualifications than previous generations. Full-time employment of those aged 20–24 fell by 10 percentage points for men and eight points for women between 2006–08 and 2013, while, after allowing for housing costs, typical incomes for those in their twenties in 2012/13 were 18 percent lower than five years before. Oxfam therefore welcomes the government's focus on extending apprenticeships, but growth in apprenticeships has to be as much about quality as quantity. The government's ambitious national target must not be implemented at the expense of developing quality schemes that genuinely improve outcomes for those groups least able to access the labour market. In particular, the targeting of future apprenticeships among 18–21 year olds who will be subject to the Youth Obligation<sup>11</sup> and to restricted entitlement to housing support costs would, in Oxfam's opinion, be key for a successful roll out of the planned growth of apprenticeships.

### 3.2

Oxfam therefore supports **Amendment 3**, which specifies additional information that must be included in the Secretary of State's report on progress towards meeting the apprenticeship target so that the quality of apprenticeships is monitored.

## 4 POVERTY MEASUREMENTS AND REPEAL OF THE CHILD POVERTY ACT 2010 (CLAUSES 4–6)

### 4.1 Repealing the Child Poverty Act 2010

Oxfam is deeply concerned that the Welfare Reform and Work Bill proposes to abandon the indicators and targets in the Child Poverty Act (passed with cross-party support in 2010) and replace them with a set of broader measures of life chances, including a statutory duty to report on measures of worklessness and GCSE attainment. Although the government insists that their intention in doing this is to tackle the causes of child poverty rather than the symptoms, Oxfam believes we stand to lose out considerably from repealing the majority of the Child Poverty Act<sup>12</sup> and that doing this would therefore be a significant regression in attempts to make Britain a fairer society. We simply do not accept that the government's first step towards implementing its manifesto pledge to 'work to eliminate child

poverty<sup>13</sup> will be the repeal of the Child Poverty Act 2010. Oxfam believes that this represents a failure to protect the 4.1 million most disadvantaged and vulnerable children and families in the UK living in absolute poverty (after housing costs).<sup>14</sup>

## 4.2 Inadequacies of the proposed new poverty measures

Oxfam believes that the measures in the Bill do not provide an adequate foundation for a new, comprehensive way of addressing UK poverty. The proposed new measures focus on levels of work within a family and improvements in education attainment which, while welcome, as *additions* to existing measures cannot, on their own, produce the data we need to track meaningful changes to poverty rates, and mean that it will be hard to hold the government to account on its future record. Worklessness (one of the new proposed indicators) – while important – is not sufficient, as over half of children living in income poverty in the UK today have at least one parent in work.<sup>15</sup> Evidence<sup>16</sup> shows that poverty is inescapably connected to the amount of money in families' pockets – income fundamentally matters to children's chances and outcomes – and therefore, jettisoning income measures of poverty simply does not make sense if the government is really committed to improving opportunity for all.

## 4.3 Retaining the concept of relative income poverty

Oxfam acknowledges that poverty is a complex reality and we recognize that there is no one perfect measure to capture it all. We know that the relative income poverty measurement has its weaknesses, as every measure does (it can, for example, give a misleading picture when there is a sharp fall in median income). While Oxfam do not claim that the relative income poverty measure – defined as 60 percent of median income – is a perfect measure on its own (as we argued in our consultation response in 2013<sup>17</sup>), we would argue that it nonetheless needs to be retained along with the other three child poverty targets in the 2010 Act, because income remains a *critical* factor driving child outcomes. We know from our UK programme work over two decades that children from low-income households do worse in part precisely because they have lower incomes. And it is generally accepted that a relative measurement of poverty is important as it allows us to make comparisons between being poor and being excluded from participating in things that people 'in the middle' of society enjoy. This was wholeheartedly recognized by the Conservative Party in 2006, and it therefore seems inconsistent to do a U-turn on the concept of relative income poverty now. Abandoning this measure would also entail losing out on tracking how we compare with equivalent countries and across time. Combining the 60 percent median income-based measures of poverty with additional income or other multidimensional measures of poverty is generally acknowledged to be the best way to describe and track poverty over time. Such a combined approach to poverty measures already exists within the Child Poverty Act 2010, so that it includes not just one measure but four.<sup>18</sup> The existing portfolio of poverty measures therefore helps prevent politics being played with the lives of children living in poverty and gives us a fuller picture of poverty in its many manifestations. Removing poverty from the remit of the Social Mobility and Child Poverty Commission is likewise a backwards step. Rather, Oxfam want to see a Poverty Commission whose remit would be to hold governments to account on their plans and actions to reduce poverty for all ages.

## 4.4

Oxfam therefore supports the following amendments: **Amendments 9, 10, 77 and 81**, which propose leaving the child poverty targets and measures unchanged, and/or further require the Secretary of State to include data on children living in low-income working households in their planned report on the life chances of children. Furthermore, we support Amendments 7 and 8 to leave the name and remit of the Social Mobility and Child Poverty Commission unchanged.

## 5 THE BENEFIT CAP (CLAUSES 7-8)

### 5.1 Oxfam's concerns around lowering the benefit cap

Oxfam has concerns about the significant proposed lowering of the benefits cap from £26,000 per year (£18,200 for single people) to £23,000 in Greater London (£15,410 for single people) and £20,000 (£13,400 for single people) in the rest of the country, to be phased in from April 2016. While we recognize the government's rationale to deliver strong work incentives, the evidence to date of applying the 2012 benefits cap is, at best, we believe, ambiguous in supporting this policy intention, and moreover, radically undermines the link between a household's assessed need and its entitlement to benefit. Other independent research findings<sup>19</sup> dispute the government's own largely positive evaluation of the impact of the benefit cap in its first year,<sup>20</sup> suggesting, for example, that '*The large majority of affected claimants responded neither by moving into work nor by moving house. For this majority, it remains an open question as to how they adjusted to what were, in many cases, very large reductions in their income.*'<sup>21</sup> Oxfam knows from its programme work on the ground the persistent barriers to finding work that many benefit claimants in our poorest communities continue to face – these include ill health or disability, caring responsibilities for family members, high childcare costs, poor skill levels, low confidence, inconsistent work histories, lack of suitable jobs and unaffordable transport costs. Capping benefit levels in the face of such barriers often only serves to intensify the pressures that many vulnerable people already face in their attempts to enter the labour market. Housing associations have also warned that early modelling of the lowered £23,000 cap will impact negatively on affordability of housing in all areas of the country, and a lower cap outside London takes no account of important regional variations in rents outside London.<sup>22</sup> So, from Oxfam's perspective, the Bill's new proposals to reduce the cap thresholds further, which entail breaking the current link between cap thresholds and average earnings, and to review the cap level only at least once in each Parliament (rather than annually), are particularly worrying.

### 5.2

Oxfam therefore supports:

- **Amendment 11**, which proposes that the benefit cap does not apply to benefit claimants who will find it most difficult to enter work – namely exemptions for primary carers responsible for the care of a child under two years of age; those in receipt of Carers Allowance (even if they do not live with the person they care for who receives Disability Living Allowance or Personal Independence Payment); and those in temporary accommodation fleeing domestic violence;
- **Amendments 12 and NC1**, which together would require the Secretary of State to review the level of the benefit cap every year to determine whether it is appropriate to change the level of the cap, and would also require any lowering of the benefit cap to be reviewed after twelve months;
- **Amendment 105**, which would require this benefit cap review to take into account any reports made by the Children's Commissioners for England, Scotland and Wales on the impact of the benefit cap on the well-being of children in particular;
- **Amendments 26 and 27**, which propose that the government should keep the benefit cap levels in London and outside London at the same rate as today so as not to risk increasing poverty levels further;
- **Amendments 71, 73 and 13**, which would retain the current link between the benefit cap and estimated average earnings and regional differences to adjust for stark differences in the cost of housing, and require the Secretary of State to take into account an annual report by the Social Security Advisory Committee on any level of the benefit cap when undertaking their review of the benefit cap.

## 6 BENEFIT FREEZES (CLAUSES 9-10)

### 6.1

We remain deeply concerned that the Bill's proposal to freeze benefits for four years at their April 2016 value is likely to increase domestic poverty and inequality. Oxfam is currently conducting our own economic modelling on the likely future impact of the Summer Budget announcements on overall future poverty and inequality levels in the UK. We will be making this evidence available to Committee members in early October 2015. In the meantime, we suggest that the government adopts a more flexible approach to balance necessary deficit reduction with a firm commitment to preventing a detrimental impact upon those with the lowest incomes, especially working households who are reliant on state support to top up their incomes. Reserving the option to uprate benefits in future depending on conditions at the time would enable the government to protect growth and link this to a concern to improve living standards for those on the lowest incomes, especially as we wait for the National Living Wage to take effect.

### 6.2

Oxfam therefore supports **Amendment 15**, which would annually review the proposed freeze, so that the rate of inflation and the national economic situation at that point in time could inform decision making, and ensure that households on the lowest incomes are not excluded from the benefits of economic growth and stability.

## NOTES

- <sup>1</sup> Joseph Rowntree Foundation (2014) 'Future of the UK Labour Market' <http://www.jrf.org.uk/sites/files/jrf/poverty-jobs-worklessness-summary.pdf>
- <sup>2</sup> John Lewis Partnership and CIPD (2014) 'Pay Progression: Understanding the barriers for the lowest paid' [http://www.cipd.co.uk/binaries/pay-progression\\_2014-understanding-the-barriers-for-the-lowest-paid.pdf](http://www.cipd.co.uk/binaries/pay-progression_2014-understanding-the-barriers-for-the-lowest-paid.pdf)
- <sup>3</sup> Joseph Rowntree Foundation (2015) 'Welfare Reform and Work Bill: Second reading' <http://www.jrf.org.uk/publications/jrf-welfare-reform-and-work-bill-second-reading>
- <sup>4</sup> Warhurst, C. (2015) Submission to the Scottish Government EETC Inquiry, August 2015 [http://www.scottish.parliament.uk/S4\\_EconomyEnergyandTourismCommittee/Inquiries/ProfChrisWarhurst.pdf](http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/ProfChrisWarhurst.pdf)
- <sup>5</sup> See for example Fernández-Macías, A. and Muñoz de Bustillo, R. (2012) 'Identifying Bad Jobs across Europe' in Warhurst, C., et al. (eds.) (2012) *Are Bad Jobs Inevitable? Trends, determinants and responses to job quality in the twenty-first century*, (London: Palgrave).
- <sup>6</sup> Findlay, P. (2015) Submission to the Scottish Government EETC Inquiry, August 2015 [http://www.scottish.parliament.uk/S4\\_EconomyEnergyandTourismCommittee/Inquiries/Patricia\\_Findlay.pdf](http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/Patricia_Findlay.pdf)
- <sup>7</sup> Wright, S. (2015) 'Decent Work: A review of the literature'. Unpublished report prepared for Oxfam Scotland. Warwick Institute for Employment Research.
- <sup>8</sup> Scottish Government (2015) 'Submission from the Scottish Government to the Economy, Energy and Tourism Committee Inquiry into Work, Wages and Wellbeing'. Scottish Government, Employability Skills and Lifelong Learning Analysis Unit, June 2015.
- <sup>9</sup> See Skills Funding Agency/ Department for Business, Innovation and Skills (2015) 'Apprenticeships – geography, age and level stats 2005/06 to 2014/15' <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>
- <sup>10</sup> Hills, J., et al. (2015) 'Falling Behind, Getting Ahead: The Changing Structure of Inequality in the UK, 2007–2013', Centre for Analysis of Social Exclusion (CASE) <http://sticerd.lse.ac.uk/dps/case/spcc/RR05.pdf>



- <sup>11</sup> The Youth Obligation, which was announced in the July 2015 Budget, will make it a requirement from April 2017 for all 18–21 year olds on Universal Credit to apply after 6 months for either an apprenticeship or traineeship, gain work-based skills or participate in a mandatory work placement: <https://www.gov.uk/government/publications/summer-budget-2015/summer-budget-2015>
- <sup>12</sup> The only substantive part of the 2010 Act left intact by the Bill is section 26 concerning the provision of free school meals and milk.
- <sup>13</sup> The Conservative Party Manifesto, p.28. <https://www.conservatives.com/manifesto>
- <sup>14</sup> Department for Work and Pensions (2015) 'Households Below Average Income, 2013/14' <https://www.gov.uk/government/statistics/households-below-average-income-19941995-to-20132014>
- <sup>15</sup> Ibid.
- <sup>16</sup> Cooper, K. and Stewart, S. (Oct 2013) 'Does money affect children's outcomes?' <http://www.jrf.org.uk/publications/does-money-affect-childrens-outcomes>
- <sup>17</sup> Oxfam (2013) 'Summary of Oxfam response to UK Government Measuring Child Poverty Consultation' <http://policy-practice.oxfam.org.uk/publications/summary-of-oxfam-response-to-uk-government-measuring-child-poverty-consultation-277916>
- <sup>18</sup> For a clear explanation of these different measures, please see: Bradshaw, J. (2015) 'Tinkering with the way we measure it won't help end child poverty', *The Conversation*, <https://theconversation.com/tinkering-with-the-way-we-measure-it-wont-help-end-child-poverty-43860>
- <sup>19</sup> See for example, London School of Economics (2015) 'Is Welfare Reform Working?' <http://sticerd.lse.ac.uk/dps/case/cr/casereport90.pdf>. This report suggested that of the 200 social housing tenants LSE surveyed over a two year period, only one in six tenants had either found work or increased their hours. Tenants who found work most commonly worked for family members or became self-employed. The majority of these new jobs were part-time and had flexible hours. See also: Institute for Fiscal Studies (2014), 'Coping with the cap?' <http://www.ifs.org.uk/publications/7482>
- <sup>20</sup> Department for Work and Pensions (2014) 'The Benefit Cap: a review of the first year' [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/386911/benefit-cap-review-of-the-first-year.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386911/benefit-cap-review-of-the-first-year.pdf). Cm 8985.
- <sup>21</sup> IFS (2014), op. cit.
- <sup>22</sup> National Housing Federation (2015) 'Briefing: Summer Budget 2015' <http://nationalhousingfederation.newsweaver.com/icfiles/1/55885/161981/5322637/87eebc424d3bca45ffb7266d/summer%20budget%202015%20-%20member%20briefing.pdf>

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## OXFAM

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