

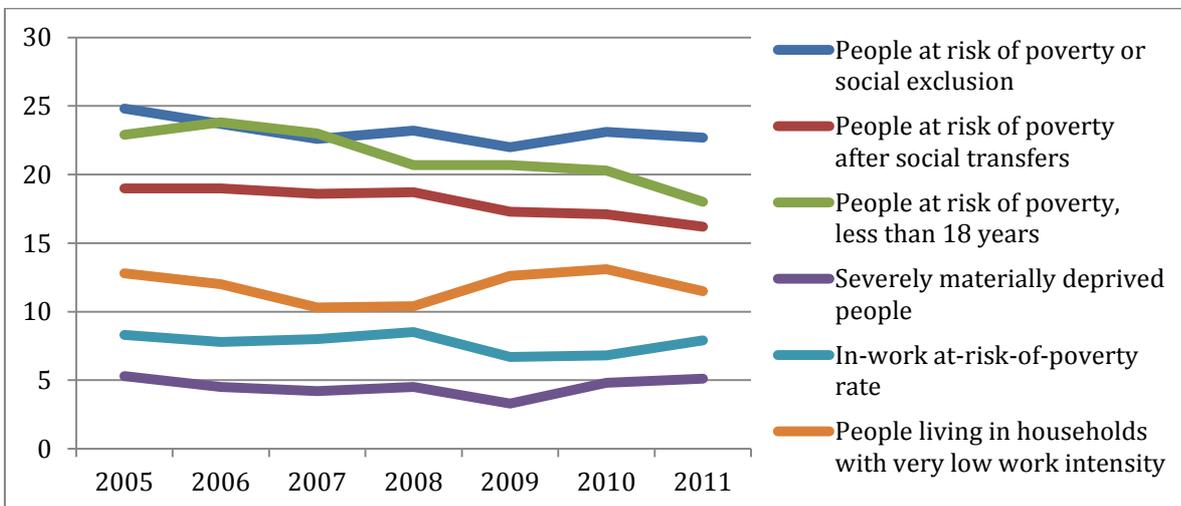
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in the United Kingdom based on Eurostat:

- During the observed period the **majority of poverty indicators are on the rise**, with the exception of the rate of people living in households with very low work intensity **which remained stable (16.2%) and below EU average of 17%**. **Materially deprived people** experienced a **considerable increase** (from 4.5% in 2008 to 7.8% in 2012).
- After peaking in 2010 (13.1%), the rate of people living in households with very low work intensity fell to 11.5% in 2011 to increase again to 13% in 2012 which is the fifth highest in the EU.
- In terms of age groups it has to be noted that 31.2% children in UK (2012) are at risk of poverty or social exclusion. The same rate for 65+ is 16.9%.

Poverty trends in the United Kingdom (% of population):



National reports and observations by Caritas provide additional data that give a better understanding of the severity of problem:

- In the latest report by the UK Department for Work and Pensions (DWP) on 'Households Below Average Income'¹ the Institute for Fiscal Studies states: "In the aftermath of the recession, average incomes have fallen for two consecutive years. Inequality has fallen back to levels last seen in the mid-1990s. And **whilst relative poverty held steady in the latest year of data, this was only because the poverty line fell as average incomes fell**: on average the poor have become worse off in absolute terms, just as other income groups have"²
- According to the DWP, the following groups were **more likely to be in relative low income before housing costs in 2011/12** compared to the overall population: households headed by a member of **certain ethnic minority groups**, particularly someone of Pakistani or Bangladeshi ethnic origin and individuals in **families containing one or more disabled member** and **social rented sector tenants**.
- Child poverty is a significant concern under current government policies. **Child poverty is projected to rise from 2012/13 with an expected 600,000 more children living in poverty by**

¹ Department for Work and Pensions, 2013, *Households Below Average Income, An Analysis of the Income Distribution 1994/95 – 2011/12*, Tables 4.1tr and 4.3tr., URL:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206778/full_hbai13.pdf

² Institute for Financial Studies, 2013, *Living Standards, Poverty and Inequality in the UK 2013*. URL:

<http://www.ifs.org.uk/comms/r81.pdf>

2015/16. The Children's Commissioner reported that the number of children living in poverty will have risen from 2.3 million children in 2010 to 3 million in 2015. This upward trend is expected to continue with 4.7 million children projected to be living in poverty by 2020.³(The 4.7 million figure is after housing costs and equates to 3.4 million in child poverty before housing costs).

- Furthermore, the **high cost of accommodation in London and the Local Housing Allowance Cap are driving families into inadequate accommodation and overcrowded conditions**. Caritas has used Freedom of Information requests to ask 33 local authorities in London how many families with one or more children are living in one bedroom accommodation. Nine local authorities have not responded and are late in replying, 13 are unable to give figures and of the 11 authorities providing data it was identified that **there are at least 6,607 families in this situation**. It is believed that the actual figure is significantly higher.

1.2. Recent policy developments

Since last year the following policy developments have been registered:

Housing remains an issue of particular concern. **From April 2013 the government cut housing benefit for those living in social housing deemed to have a 'spare' room**. This has resulted in an average drop in income of £14 a week for people affected. According to the National Housing Federation many are struggling to find the money for rent and as a result there has been a rise in rent arrears being reported in many regions.

The movement of families in receipt of benefits, particularly from London, to cheaper rented accommodation in other parts of the country may leave many families without support from their own families (e.g. free child minding by grandparents to enable a mother to take up employment) and without existing support systems. This is not cost effective and may make demands on councils, which are not geared up to provide additional services. **This movement of families is expected to grow as the housing benefit is capped**.

There is a shortage of social housing. Housing Justice, one of Caritas member organisations, believes that the most realistic way to address the problem of the social housing shortage is the direct commissioning and funding of house building by central and local government to increase the supply. It is important to ensure that the government is accurately monitoring house price growth and is able to relate house purchase price data to data about the new 'Help to Buy' scheme.

Food poverty is a growing concern. **The government has still not resolved the incompatibility of the current free school meals system and the new Universal Credit**. In addition 500,000 people are now reliant upon food assistance from food banks. The Trussel Trust, the UK's leading food bank network, figures confirm that the most common reason for food bank use is cuts in public expenditure and changes to the welfare system.⁴

Assessment of UK's NRP and policies it refers to:

The NRP has no target set for poverty reduction. The NRP states: "In June 2012, the Government published a report on the target (set in UK legislation) to halve relative child poverty by 2010. This showed that the relative income target was missed by 600,000 children. The child poverty figures published at the same time for 2010-11 further showed that although 300,000 children had moved out of relative income poverty, this was largely due to a fall in the median income; such children were no better off, their lives remained the same." It further states: "The Government remains committed to tackling child poverty and to the Child Poverty Act, but it does not believe that targets based on income alone can capture the full picture. It is, therefore, **considering better, multi-dimensional measures of child poverty, which will capture the reality of poverty and ensure that its causes can be**

³ Institute for Fiscal Studies, 2013, *Child and Working Age Poverty in Northern Ireland*. URL: <http://www.ifs.org.uk/comms/r78.pdf>

⁴ CAP & Oxfam, 2013, *Walking the Breadline*. URL: <http://www.church-poverty.org.uk/foodfuelfinance/walkingthebreadline/report/walkingthebreadlinefile>

addressed better. A consultation closed in February; responses are being analysed and the Government will respond later this year.”

There is a concern that, whilst the government is exploring a broader measure of child poverty, targets related to the existing measures will continue to be missed. **Unprecedented changes to the social security system and the way in which they are being introduced with arguably inadequate modelling, are also a cause for concern.** Such measures include: Reductions in Council Tax support; capping of the total household income from benefits; under-occupation penalties (reductions in benefits if the recipient is living in social housing and is deemed to have a ‘spare’ room, resulting in families unable to afford rent having to look for smaller cheaper rental properties of which there is a shortage.); new tests for work capability with resultant sanctions; payment of benefits monthly (rather than weekly or fortnightly) making it difficult to balance budgets; payment of all household benefits to one single account which will impact negatively upon women; rent direct to the household, not the landlord; applications for benefits by computer access as a default; capping annually the up-rating of key in-work and out-of-work benefits at 1% (significantly below the rate of inflation and prices) until 2015/16.

In relation to child poverty, when setting caps on benefits, the government has not excluded child related benefits from those calculations. Consequently this will mean a reduction in benefits to alleviate child poverty that will disproportionately affect larger families. **The findings of government impact assessments regarding the impact on child poverty levels have not been included in the NRP.**

Assessment of UK's Country Specific Recommendations (CSRs) adopted in 2013:

The following CSRs are considered adequate for addressing the problems related to poverty and social exclusion in the UK; however, their implementation requires special attention:

CSRs considered adequate	Attention required
<ul style="list-style-type: none"> • CSR 2: Take further action to increase housing supply, including through further liberalisation of spatial planning laws and an efficient operation of the planning system. Ensure that housing policy, including the Help to Buy scheme does not encourage excessive mortgage lending; and lead to higher house prices. Pursue reforms to land and property taxation to reduce distortions and promote timely residential construction. Take steps to improve the legal framework of rental markets, in particular by making longer rental terms more attractive to both tenants and landlords. 	<ul style="list-style-type: none"> • The Government will be able to say that it is definitely taking the actions in the first sentence. For the second sentence their response would be more nuanced – they are monitoring what is happening and will intervene if necessary. On the third sentence Caritas is not aware of any reforms to land and property taxation in the pipeline. On the fourth sentence government action will take the form of encouraging good practice rather than making any changes through legislation or regulations.
<ul style="list-style-type: none"> • CSR 4: Enhance efforts to support low-income households and reduce child poverty by ensuring that the Universal Credit and other welfare reforms deliver a fair tax-benefit system with clearer work incentives and support services. Accelerate the implementation of planned measures to reduce the costs of childcare and improve its quality and availability. 	<ul style="list-style-type: none"> • This recommendation is helpful in that it raises the issue of child poverty. However, it would be improved if it could address the issue of in work poverty and zero hours contracts for low paid workers, who need to be available for work by the employer. Given that the Council Recommendation document states: “There is a risk of increased poverty, including more child poverty for those in households that do not find employment.” It is not specific enough on what it means by “support services”. Is this support to get into work and/or support if work is not available? It should be both.

CSRs considered adequate	Attention required
	<ul style="list-style-type: none"> • Reference might also be made to increasing the minimum wage by more significant amounts e.g. the rise for apprentices is likely to be only 3 pence per hour and for 18-20 year olds by 5 pence. • The acceleration of measures to reduce the costs of childcare and improve its quality and affordability is welcomed.

1.3. Recommendations

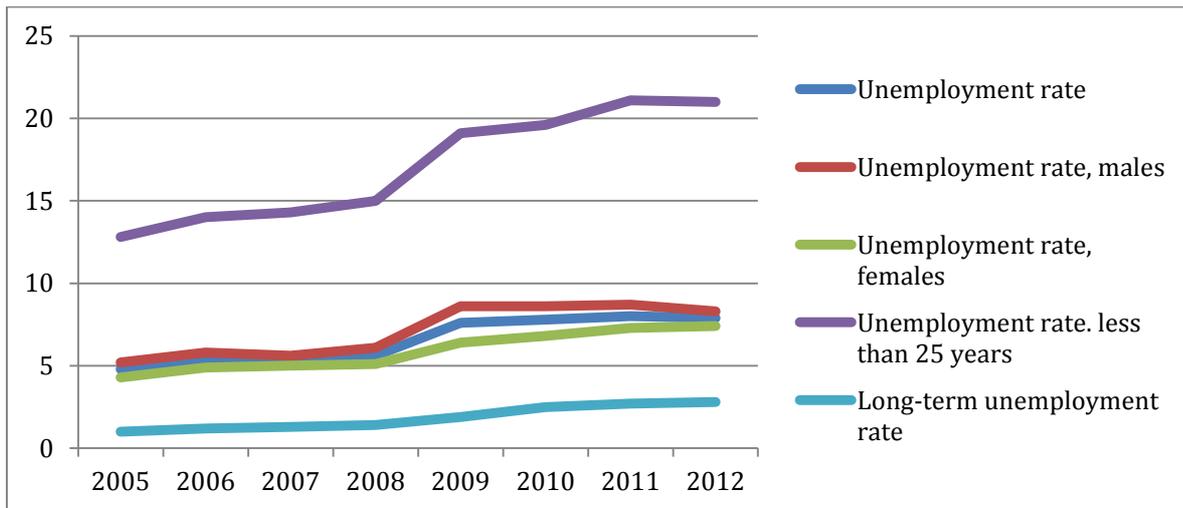
- To **introduce a new standard tenancy agreement with a term of five years** as an alternative to the current standard assured shorthold of 6 -12 months
- To address the social housing shortage by the **direct commissioning and funding of house building by central and local government** to increase the supply.
- To **give Local Authorities the power to levy Council Tax and Business Rates on undeveloped sites**, as if they were developed, once a certain time after planning permission has been given has elapsed. Alternatively to add a penalty percentage on the value of s106 agreements if development was not completed within an agreed time.
- To **introduce a Royal Commission on land and property taxation.**

2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in the United Kingdom:

- **Young people remain the age group most affected by unemployment.** Youth unemployment experienced its highest increase between 2008 and 2009 when it rose by 4.1 p.p. Since then it has kept considerably higher than the national average, levelling off in recent years where it stood at 21% in 2012, slightly below the EU average.
- **The most significant proportional increase can be observed in the long-term unemployment rate, which doubled between 2008 and 2011** when it stood at 2.8%, however, still well below the EU average. Long-term unemployment rose to a significantly larger extent among women (2008: 0.9%, 2011: 2.2%) than men, nevertheless more men (3.2%) continue to be unemployed for a longer period than women.

Employment trends in the United Kingdom (% of population):


In addition to the above Eurostat figures, the following trends can be observed:

- There is concern that **long-term unemployment is greatest outside of London and the South-East of England**. This includes especially the North of England, Scotland, Northern Ireland and Wales, specifically the locations of traditional manufacturing and industry in the UK. **More needs to be done to incentivise businesses to locate to these areas.**

2.2. Recent policy developments

Since last year the following policy developments have been registered:

There is **continued concern about the assessment process around those medically unfit to work and the Employment and Support Allowance (ESA)**. Earlier this year it was revealed that 37% of decisions concerning disabled people being assessed as fit for work, by the company Atos, were overturned at appeal.

Assessment of UK's NRP and policies it refers to:

Government policy to address employment and poverty comprises a mixture of measures, some driven by the need to reduce costs, others by a desire to change behaviour and get people into employment to avoid destitution. **Work is seen as the best route out of poverty. However, low paid work entrenches poverty just as surely as social security, as evidenced by the growth of families that are in work and are poor.** As research by the Joseph Rowntree Foundation suggests, government policies are not sensitive to the sort of regional concentrations of poverty evident in parts of the UK where employment opportunities are low due to deindustrialisation and which need regeneration, e.g. Wales, and where poverty has become entrenched. Growth in the UK is skewed to London and the south-east. These issues are not addressed in the NRP.

Assessment of UK's Country Specific Recommendations (CSRs) adopted in 2013:

The following CSRs are considered adequate for addressing the problems related to employment and unemployment in the UK; however, their implementation requires special attention:

CSRs considered adequate	Attention required
CSR 3: Building on the Youth Contract, step up measures to address youth unemployment, for example through a Youth	<ul style="list-style-type: none"> • It is very helpful that the quality and duration of apprenticeships is raised. Given the Council Recommendation document states, "the UK has a shortage of workers with high-quality vocational and technical skills which contributes to a lack of external

CSRs considered adequate	Attention required
<p>Guarantee. Increase the quality and duration of apprenticeships, simplify the system of qualifications and strengthen the engagement of employers, particularly in the provision of advanced and intermediate technical skills. Reduce the number of young people aged 18-24 who have very poor basic skills, including through effectively implementing the Traineeships programme.</p>	<p>competitiveness. Despite some progress in recent years, a significant proportion of young people do not have the skills and qualifications they need to compete successfully in the labour market”, the reference to advanced and intermediate skills in recommendation 3 could be strengthened if it raised the matter of high University tuition fees which would deter gifted young people from poor families going to University to gain technical skills/qualifications. This is especially the case as it is unlikely that sufficient numbers of apprenticeships will be made available in the short to medium term. At the other end of the spectrum, those with “very poor basic skills” are unlikely to be taken on apprenticeships and therefore more specialist support with basic skills should be integrated into a support package at a pre-apprenticeship stage. This would help to reduce the sense of failure that those not getting an apprenticeship would feel.</p>

2.3. Recommendations

- To address the issue of low paid employment by the government **promoting the living wage across** the whole country.
- To seek ways in which to **encourage employers to pay the living wage as opposed to the minimum wage**, and by so doing help to reduce the need for public expenditure on benefits to those in low paid work.
- To reduce the social housing shortage, **central and local government should undertake the direct commissioning and funding of social house building**.
- To create and provide incentives for **employers to work with universities**, in order to devise apprenticeships linked to qualifications with high quality technical skills.
- To **provide specialist teachers in schools and job centres** to raise the basic skills level of those with very low skills, to make them more prepared for apprenticeships.