



Department
for Education

Consultation Response Form

**Consultation closing date: 22 May 2014
Your comments must reach us by that date**

Child Poverty Strategy 2014-17: Consultation

If you would prefer to respond online to this consultation please use the following link:
<https://www.education.gov.uk/consultations>

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes, primarily the Freedom of Information Act 2000 and the Data Protection Act 1998.

If you want all, or any part, of your response to be treated as confidential, please explain why you consider it to be confidential.

If a request for disclosure of the information you have provided is received, your explanation about why you consider it to be confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data (name and address and any other identifying material) in accordance with the Data Protection Act 1998, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

Please tick if you want us to keep your response confidential.	<input type="checkbox"/>
Reason for confidentiality:	

Name: Sophia Bell	
Please tick if you are responding on behalf of your organisation.	<input checked="" type="checkbox"/>
Name of Organisation (if applicable): The Low Incomes Tax Reform Group	
Address: 1 st Floor, Artillery House, 11-19 Artillery Row, London, SW1P 1RT	

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Ministerial and Public Communications Division by e-mail: consultation.unit@education.gsi.gov.uk or by telephone: 0370 000 2288 or via the Department's ['Contact Us'](#) page.

Please mark the category which best describes you as a respondent.

<input type="checkbox"/> Voluntary and community sector	<input type="checkbox"/> Local authority	<input type="checkbox"/> Practitioner working with children/families
<input type="checkbox"/> Central government	<input type="checkbox"/> Parent/Carer	<input type="checkbox"/> Child/Young person
<input type="checkbox"/> Research body/academic	<input type="checkbox"/> Public bodies and named partners in the Child Poverty Act	<input type="checkbox"/> Organisation representing families and children
<input type="checkbox"/> Social enterprise	<input checked="" type="checkbox"/> Other	

Please Specify: NGO/Charity

We would like everyone's views on how we can work together to end child poverty. Only by working together can we transform the lives of the poorest children.

Our approach

1 To what extent do you agree that the draft strategy achieves a good balance between tackling poverty now and tackling the drivers of inter-generational poverty?

<input type="checkbox"/> Strongly agree	<input type="checkbox"/> Agree	<input type="checkbox"/> Neither agree nor disagree
<input type="checkbox"/> Disagree	<input type="checkbox"/> Strongly disagree	

Comments: Please see response to question 2.

Our approach

2 Considering the current fiscal climate, what is your view of the actions set out in the draft strategy?

Comments: Our remit is to represent taxpayers on low incomes who may not be otherwise represented – we aim to improve the tax and related benefits experience of people on low incomes. Accordingly, our response to this consultation is confined to general observations on the likely impact of the proposals on low-income individuals.

Our first observation would be that while this is a consultation on child poverty, the proposals in this document to which we are responding are largely aimed at adults, albeit adults who may have some, or even significant, influence over a child's poverty. The main thrust of the paper is to lift families out of poverty caused by worklessness and low earnings. We are concerned, though, that some of the proposals may act to the overall detriment of the children. Below we comment on some of the key strategies that are identified in the report to help remove barriers to work.

Supporting people into work

We welcome the proposal to give Jobcentre Plus advisers the ability to provide support for travel costs. In many areas of the UK travel costs to work are substantial and can restrict any income increases obtained by entering the workplace, thus creating a real barrier to entering work. We commented on this point, among others, in an earlier report¹ about moving into work.

This is even more apparent where agency work is undertaken. This type of work can offer a stepping stone into the labour market, however the workers are often poorly paid and can face travel costs disproportionate to their earnings. Indeed, the situation low paid agency workers often find themselves in with regards to their travel costs is completely unsatisfactory and to the extent that they are not supported by Jobcentre Plus, there is an argument that their travel costs should be deductible from income for tax, National Insurance contributions (NIC), tax credits and other means-tested benefits. Workers would not then be so badly disadvantaged when they are offered short-term work far from where they live, which they often have little choice but to accept. We have previously requested² a comprehensive review of this whole area.

Making work pay

We understand that universal credit is intended to be flexible so that it automatically adjusts for changes in earnings. Having a benefits system that responds quickly to reductions in income is essential – and RTI should aid that for the majority of the employed. For the self-employed, though, the record keeping requirements will be unduly onerous. The income to be reported monthly for universal credit is calculated in a different way from that to be reported to HM Revenue & Customs (HMRC) – and loss relief for the self-employed is not properly recognised for universal credit claimants. Further, income tax payments are collected from the self-employed in two lump sums that may cause a loss to be incurred for the particular month and so invoke the minimum income floor. Similar issues may arise when pension contributions are paid by the self-employed, whereas there are no such issues for the employed.

For the lowest paid, universal credit is removed at the rate of 65p for every additional £1 of earned income over and

¹ http://www.litrg.org.uk/Resources/LITRG/1_483_InteractfinalreportDec07.pdf

² http://www.litrg.org.uk/Resources/LITRG/1_782_LITRG_NMW_6May2010final.pdf

above the work allowances. That additional 35p of income (or approximately £2 per hour for those on the National Minimum Wage) must pay for any travel costs, possible additional costs associated with employment (for example, clothing or disclosure checks and so on) as well as any childcare costs or contributions towards childcare costs.

These figures for withdrawal of universal credit are even more punitive for a basic rate taxpayer who might retain only 24p from every additional £1 earned. Indeed, in areas where council tax support is being cut by increasing the taper recovery rate, universal credit claimants may retain less than 20p from each additional £1 earned (before other costs such as travel, childcare, and so on).

Increasing the National Minimum Wage is an essential part of increasing earnings for low-paid workers³ and, of course, this has to be balanced against risk to employment which higher wages without increased productivity can bring. However, focusing attention solely on the rate of the National Minimum Wage will mask inherent risks that a minimum wage policy brings. True, it does alleviate the difficulties of extreme low pay, but in the longer term there is a danger that pay rates in certain sectors will remain at the minimum level allowed when, in fact, the business could afford to pay higher rates. Low paid workers can thus become trapped in lower paid work. Pressures need to be put on industry to pay fair and realistic rates of pay as the economic picture improves, to alleviate the fundamental low pay trap as a contributory factor in child poverty. Encouraging employers to pay a living wage rather than the National Minimum Wage would be a good starting point. Furthermore, increasingly workers are being employed on zero-hour contracts and an increased hourly wage may make little difference if the numbers of hours worked are cut – particularly where the 16-hour work requirement is no longer met for the purposes of receiving Working Tax Credit. We support wholeheartedly the enforcement of the National Minimum Wage and would like to see this effort extended to enforce the principal rules, rather than just a measure of whether arrears are due, but recognise this needs to be integrated with other measures to give individuals income security.

It has been reported that unemployed people may be mandated to accept zero hours contracts in what appears to be a policy change (as reported in the Guardian newspaper⁴ on 6 May 2014). We share concerns that forcing these contracts to be accepted may prejudice the ability of an individual to seek alternative, more remunerative, employment as well as restricting their ability to undertake training. In addition, there are some complex interactions between zero hours contracts, the employees' tax and NIC position and related tax credits and welfare entitlements, which currently serve to act against the workers that we have already commented on⁵.

The uncertainty of work and earnings from such employment arrangements, while perhaps beneficial in the short-term in giving people experience and some, rather than no, work, will often do nothing to alleviate longer term financial insecurity. The increase in use of zero-hours contracts clearly indicates that there is some benefit to be gained and much has been written about their relative merits and popularity with both employers and employees. However, the beneficial flexibility they bring to some has to be balanced against the insecurity they bring to others, particularly low paid workers with children and we would be keen to hear reassurance that some degree of flexibility will be applied in the application of the work commitment in respect of zero hours contract employment.

The significant increase in the personal allowance over the term of the current government has increased take-home pay for basic rate taxpayers, in particular. But those who have benefitted most from this increase are earners who do

³ The first step of which, should be to restore its real terms value – we understand that had the NMW kept pace with inflation (CPI) from 2008, the rate would be £6.64 today rather than £6.31.

⁴ <http://www.theguardian.com/uk-news/2014/may/05/jobseekers-zero-hours-contracts>

⁵ http://www.litrg.org.uk/News/2014/130314_zero_hours_contracts

not claim benefits: they receive the full benefit of the increased allowance. Those whose benefits are reduced by the increase in after-tax income receive less benefit from such increases in allowances. Those who earn below the personal allowance threshold receive no benefit from such an increase in allowances.

One parent families

We are pleased to see recognition of the fact that single parents often find it more difficult to enter work (and remain in work) due to childcare constraints. Even with additional support for them through universal credit, managing a job if a child is ill requires support from employers.

The proposals state that all such parents will be required to undertake some training activity once their youngest child is aged three. While we can understand that benefit costs require to be controlled, we are concerned that those families requiring extra support are not being properly identified. For example, a child with a disability or poor mental or physical health may require much more time input from their parent or carer.

In addition we are dismayed⁶ that the child maintenance service has been reformed to mean that where parents cannot reach an agreement, a fee has to be paid up-front to access the service. When a relationship breaks down, it is often a difficult time emotionally for both parties: being able to rationally discuss maintenance issues with each other is often impossible. Where one party is left with the children and little financial support, paying even a small sum to access this service could be the difference between children having a nutritious meal or not, as not all may become entitled immediately to free school meals: the children affected have little or no control over their parents' relationship.

Larger families

With larger families come greater childcare responsibilities and costs, as the consultation recognises. While we commend the government for asserting its intention to educate such families about how much better off they might be in work, we believe that in order to achieve this goal clear, easy-to-understand examples need to be provided and be readily available both in hard copy and online. We would reiterate the point made above that travel costs might seriously erode any increased income arising from working while childcare costs might easily tip the balance so that working would bring no increased income.

Parental ill health

This is clearly a significant barrier to work. We applaud efforts to enable those people with disabilities who are able to work to find satisfactory positions. We have serious reservations in certain areas, however. For example, the percentage threshold scheme has just ended⁷ and has been replaced by the Health and Work Service. The percentage threshold scheme allowed employers to reclaim part of their sick pay costs from the government. The new scheme, that has not yet started and about which details are yet to be finalised, allows employers to pay for certain treatment for their employees – up to £500 per employee per year, without accruing a tax liability for the employee. In addition, employers will have access to an advisory service for employees with long-term health issues.

What this means is that employers may become more reluctant to employ someone with a history of ill health since

⁶ http://www.litrg.org.uk/News/2014/140225_PR_CMS_fees

⁷ http://www.litrg.org.uk/News/2014/140326_double_blow_cands_employers

they will receive no reimbursement of sick pay from the government. Often these individuals may not have a specific ailment for which the employer might usefully pay for treatment – but nevertheless they require time off work.

In addition, parental ill health can impact on a young person's ability to find work. For example, a 16 year old whose mother is ill may have significant caring responsibilities for their mother, resulting in their prospects of employment being curtailed. We recognise the government's intention to help protect the children and young people in this situation, but much more requires to be done: many such families are anxious not to involve social services, resulting in the children not only carrying the caring burden, but also the burden of secrecy. Better communication of the type of help available might aid this situation.

Childcare costs

We note that the government is continuing to provide 15 hours of funded early years education to all three and four year olds, while increasing funding to allow the same level of provision for some two year old children from low income families. This is, of course, optional free childcare. At the moment we note that the government advocates that parents start preparing to look for work when their youngest child is three years of age. We seek assurance that the parents of these two year old children will not be targeted for such job seeking activity a year earlier than other parents.

The announcement in March 2014 regarding childcare costs for those on universal credit is welcomed, but we await further details. It is encouraging, also, that taxpaying parents will be able to receive tax relief on childcare costs. There is no doubt that childcare costs can be a strong barrier to entering the workplace, but equally ensuring the quality of that childcare is very important. Concern has been raised (for example in the report Sound Foundations by the Sutton Trust, with research carried out by Oxford University) that there are inadequate places for two year olds at present. Given that government intends more people to be in work, and hence the need for childcare will increase, this is a serious issue. Providing funding towards childcare will not achieve its objective if there is an inadequate supply of quality childcare at a reasonable cost to the parents.

Gathering ideas

3 At a local level, what works well in tackling child poverty now?

Comments: This is outside our area of expertise.

4 At a local level, what works well for preventing poor children becoming poor adults?

Comments: This is outside our area of expertise.

5 What more can central government do to help employers, local agencies and the voluntary and community sector work together to end child poverty?

Comments: This is outside our area of expertise.

6 Please use this space for any other comments you wish to make.

Comments: While we accept that increasing the wealth of the family unit may lift a child out of poverty, we recognise that there are other factors involved in a child's wellbeing, notably attachment issues, and these should not be overlooked in the quest to engage more parents in employment.

About Us

The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.

LITRG works extensively with HMRC and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not

designed with the low-income user in mind and this often makes life difficult for those we try to help.

The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

7 Please let us have your views on responding to this consultation (e.g. the number and type of questions, whether it was easy to find, understand, complete etc.).

Comments:

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply.

X

E-mail address for acknowledgement: LITRG@ciot.org.uk

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, please confirm below if you would be willing to be contacted again from time to time either for research or to send through consultation documents?

Yes

No

All DfE public consultations are required to meet the Cabinet Office [Principles on Consultation](#)

The key Consultation Principles are:

- departments will follow a range of timescales rather than defaulting to a 12-week period, particularly where extensive engagement has occurred before

- departments will need to give more thought to how they engage with and use real discussion with affected parties and experts as well as the expertise of civil service learning to make well informed decisions
- departments should explain what responses they have received and how these have been used in formulating policy
- consultation should be 'digital by default', but other forms should be used where these are needed to reach the groups affected by a policy
- the principles of the Compact between government and the voluntary and community sector will continue to be respected.

However, if you have any comments on how DfE consultations are conducted, please contact Aileen Shaw, DfE Consultation Coordinator, tel: 0370 000 2288 / email: aileen.shaw@education.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed responses should be sent to the address shown below by 22 May 2014

Send by post to: Child Poverty Strategy 2014-17 Consultation, Child Poverty Unit, Department for Education, 1st Floor, Sanctuary Buildings, Great Smith Street, London, SW1P 3BT.

Send by e-mail to: strategy.consultation@childpovertyunit.gsi.gov.uk