

## APPG for Health in All Policies' Inquiry into the Welfare Reform and Work Act (2016)

### Submission of evidence

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April 3 2019

“In the 3 years since the implementation of the Welfare Reform and Work Act (2016) (WRWA), what impact has it had on the levels of poverty, inequality and health experienced by children and disabled people in the UK?”

#### *The impact on levels of child poverty*

There is very strong evidence that, as predicted, the changes to benefits introduced under the Act have led to increases in income poverty and material hardship.

The main changes affecting children are

- the lowering of the benefit cap to £20,000 (£23,000 in London) (phased in in Autumn 2016)
- a four year cash freeze on most working-age benefits from April 2016 (having been uprated by 1% a year from April 2013).
- The abolition of the ‘family element’ from Universal Credit and from child tax credits for children born after April 2017.
- the introduction of the two-child limit, meaning third and subsequent children born after April 2017 do not qualify for child tax credits.

The last change is expected to have very significant effects on the resources in larger families in the next few years.<sup>1</sup> There is some early qualitative evidence already available about the impact in affected households (not cited here, but I expect other submissions will include it). But these effects (and those of the abolition of the family element) will only show up clearly in statistics in the future. The effects of the benefit cap and the benefit freeze have had much more widespread effect to date.

DWP figures show that **the benefit cap** had affected a total of 196,837 households by November 2018.<sup>2</sup> Figure 1 shows the very sharp increase in the number of households affected at each point in time after the cap was lowered in Autumn 2016. DWP figures further show that in November 2018:

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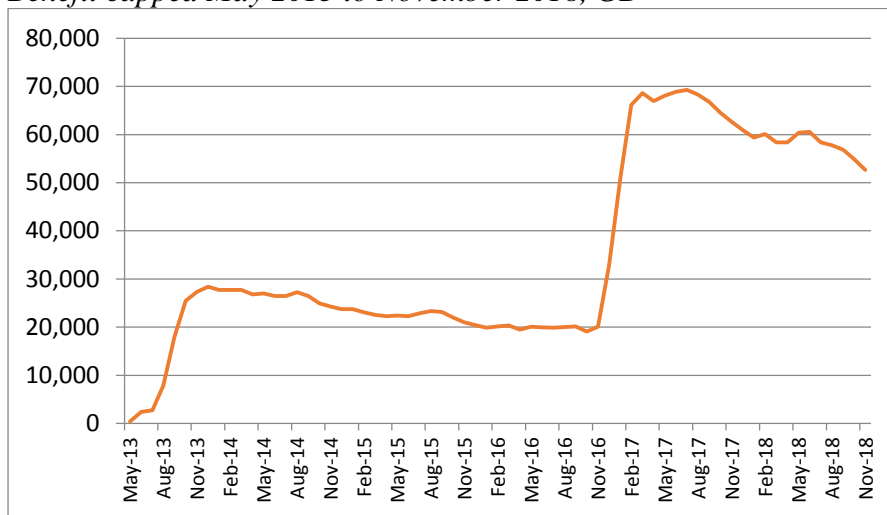
<sup>1</sup> A Hood and T Waters (2017) *Living standards, poverty and inequality in the UK: 2017-18 to 2021-22*. Institute for Fiscal Studies.

<sup>2</sup> DWP (2019) *Benefit Cap Statistics: Households capped to November 2018*. Published 7 February 2019. <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-november-2018>

- 92% of capped households contained children under 16
- 68% had a child under five years old
- 74% of all capped households were lone parents
- 56% were lone parents with a child under five.
- 75% had three or more children (42% 3 children and 33% 4+).
- In total, more than 158,735 children were living in households affected by the cap in November 2018.<sup>3</sup>

The application of the cap means that households are receiving insufficient Housing Benefit to cover their housing costs, and are therefore moving into rent arrears or squeezing spending on other areas such as food or utility bills. Four in ten households (42%) are losing more than £50 weekly as a result of the cap (DWP, 2019, Table 2).

*Figure 1 Point in time caseload time series: Number of households that had their Housing Benefit capped May 2013 to November 2018, GB*



Source: DWP (2019) Benefit Cap Statistics: Households capped to November 2018 (Table 3)

The latest HBAI statistics show an increase of around 0.5 million in the numbers of children living in poverty after housing costs (AHC) between 2011/12-2013/14 and 2015/16-2017/18 (years are pooled to increase sample size).<sup>4</sup> Poverty measured before housing costs (BHC) show a similar increase, which suggests that the benefit cap may not be contributing noticeably to increases in the poverty headcount (as we would expect this to affect AHC but not BHC poverty measures). However, the cap will have been increased the depth of poverty for households already living below the line.

In terms of increasing the headcount, the **cash freeze on working-age benefits** has been the more significant factor. In 2017 the IFS projected that the four year freeze would represent a reduction in benefit entitlements of around 5% compared to CPI uprating.<sup>5</sup> Inflation was

<sup>3</sup> DWP do not break down numbers of children in households with more than five children (categorised as '5 and above'). My calculation allocates these households five children only so is an underestimate.

<sup>4</sup> DWP (2019) *Household Below Average Income: 1994/95 to 2017/18*  
<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201718>

<sup>5</sup> A Hood and T Waters (2017) *Living standards, poverty and inequality in the UK: 2017-18 to 2021-22*. Institute for Fiscal Studies.

faster than expected in 2017, linked to Brexit-induced currency depreciation.<sup>6</sup> The Joseph Rowntree Foundation estimate that benefits are worth 6.5% less in 2019 than they would have been had they risen with inflation.<sup>7</sup> Households for whom benefits make up a higher percentage of income will clearly be most steeply affected by these changes.

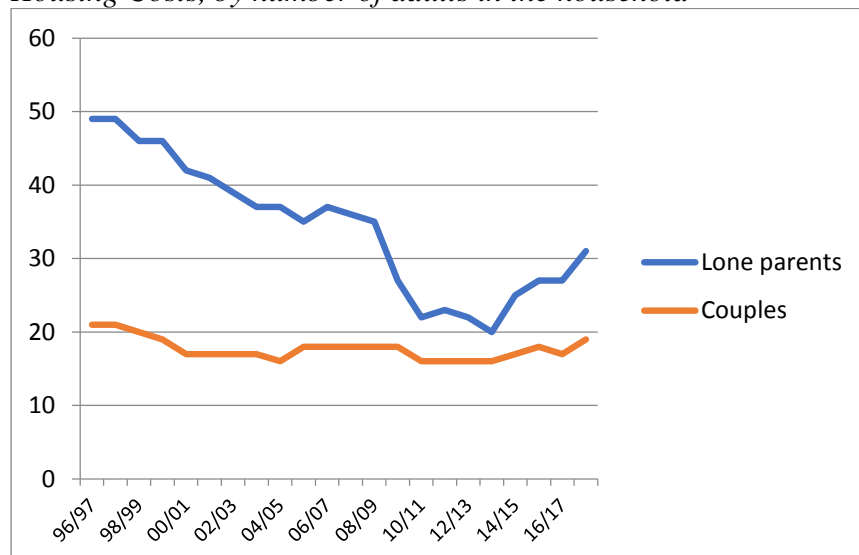
Indeed, there have been particularly sharp increases in poverty, measured both BHC and AHC, among households not in work, lone parent households and larger households, as Figures 2-4, based on the 2017-18 HBAI (and shown for BHC only), show clearly.

*Figure 2 Children living in households below 60% median equivalised income Before Housing Costs, by work status of adults in the household*



Source: DWP (2019) *Household Below Average Income: 1994/95 to 2017/18* Table 4\_14ts

*Figure 3 Children living in households below 60% median equivalised income Before Housing Costs, by number of adults in the household*

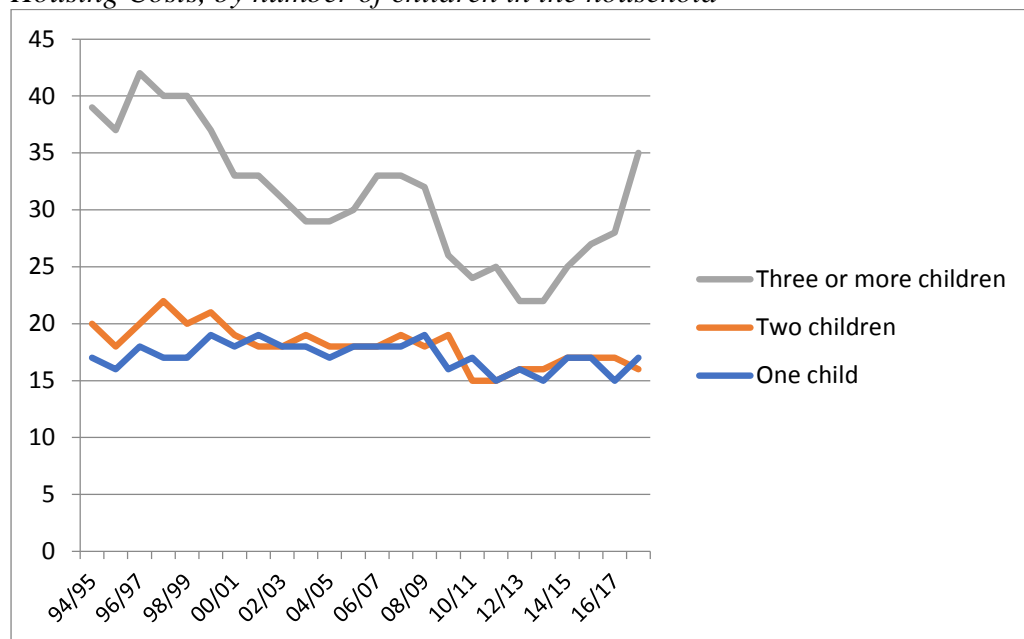


Source: DWP (2019) *Household Below Average Income: 1994/95 to 2017/18* Table 4\_14ts

<sup>6</sup> H Breinlich, E Leromain, D Novy and T Sampson (2017) *The Brexit Vote, Inflation and UK Living Standards*, CEP Brexit Paper 11.

<sup>7</sup> JRF (2019) *Briefing: end the benefit freeze to stop people being swept into poverty*. Joseph Rowntree Foundation. <https://www.jrf.org.uk/report/end-benefit-freeze-stop-people-being-swept-poverty>

Figure 4 Children living in households below 60% median equivalised income Before Housing Costs, by number of children in the household



Source: DWP (2019) *Household Below Average Income: 1994/95 to 2017/18* Table 4\_18ts

It should be noted that **the percentage of children living in poverty also rose between 2013-14 and 2017-18 overall, and for children living with:**

- Lone parents working full-time, both BHC (10% to 23%) and AHC (20% to 30%)
- Couples both working full-time, both BHC (3% to 5%) and AHC (5% to 7%)
- Couples where one works full-time and one part-time, both BHC (5% to 8%) and AHC (9% to 11%)
- Couples where one works full-time and one does not work, both BHC (20% to 27%) and AHC (33% to 37%)
- Couples where one or both parents work part-time, both BHC (40% to 51%) and AHC (56% to 66%)

That is to say, it would be absolutely false to claim that the sharp increases in poverty for particular groups shown in Figures 2-4 have resulted in (or been accompanied by) improvements in child poverty overall, for example by creating greater incentives for parents to move into work. Both the cash freeze on benefits and the two-child limit affect families in work as well as out of work. Therefore families with one or more adults in work have also been affected by the changes in the WRWA, albeit to a lesser extent than households where adults are not working.

## *The impact on children's health*

I am not aware of research that directly links the increases in poverty shown above to changes in children's health. However, we know from previous research that poverty has causal effects on children's outcomes, including their health outcomes. My own 2013 systematic review of the evidence with Kerris Cooper, updated in 2017, shows this very clearly.<sup>8</sup> Looking across OECD countries and including only studies that use experimental, quasi-experimental or longitudinal approaches, we identify eleven studies (or groups of studies) that look at health outcomes.<sup>9</sup> Eight of these (including all of those focused on changes in income in lower income families) find significant positive effects of an increase in income on child health measures. The evidence looks particularly strong for birth outcomes: all four studies that look at health at birth find significant positive effects of increases in household income.

We also find strong evidence that poverty has a causal effect on maternal depression, itself a risk factor for many aspects of child development.

Based on the evidence base in our review, there is good reason to expect that the increases in poverty shown above will lead (and are already leading) to deteriorations in child health. We already know that infant mortality has been rising from 2014 – the first time since the 1980s that the infant mortality rate has risen for two years in a row. As Figure 5 shows, the rise has been driven by increases in infant mortality among babies registered to single mothers and those jointly registered by households in socio-economic classes 5-8 (lower supervisory and technical, semi-routine, routine occupations and long-term unemployed). These figures pre-date the WRWA, and there may be a number of reasons driving the change: recent evidence in the BMJ points to the rolling back of the English health inequalities strategy and cuts to health and other services.<sup>10</sup> However, the increase also coincides with the significant cuts to social security benefits that started to take effect in 2013. It is our hypothesis that these cuts are implicated in the increase, and that the measures in the WRWA will lead to further increases.

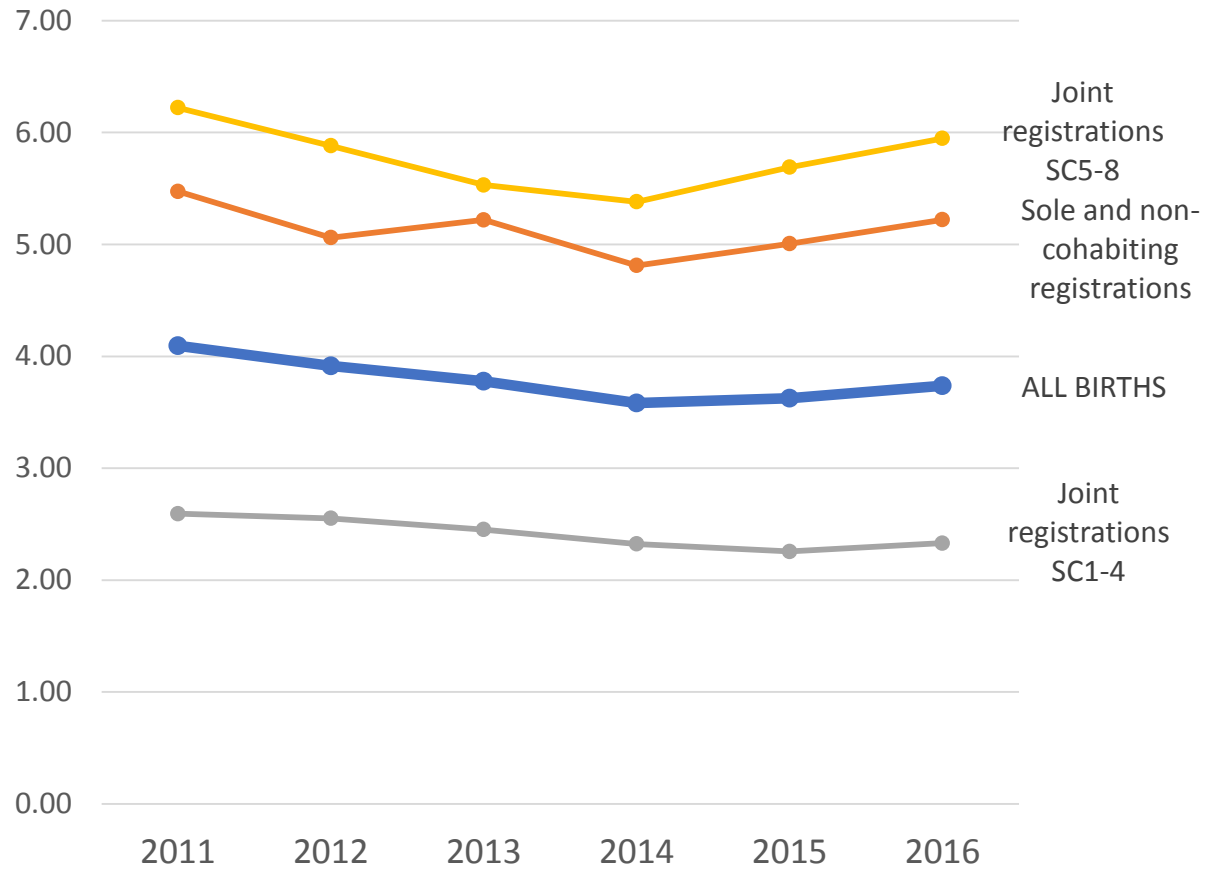
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<sup>8</sup> K Cooper and K Stewart (2013) *Does money affect children's outcomes? A systematic review*, York: Joseph Rowntree Foundation. K Cooper and K Stewart (2017) *Does money affect children's outcomes? An update*, LSE: Centre for Analysis of Social Exclusion.

<sup>9</sup> We group studies making use of the same experimental situation together as one 'case'; for example, there are three studies that look at the effect of more generous benefit payments through the Earned Income Tax Credit on birth outcomes in the US.

<sup>10</sup> T Robinson, H Brown, P Norman, L Fraser, B Barr and C Bamba (2019) 'The impact of New Labour's English health inequalities strategy on geographical inequalities in infant mortality: a time-trend analysis,' *Journal of Epidemiology and Community Health*, online first.

Figure 5 Infant Mortality Rate by Socio-Economic Class 2011-2016



Source: ONS Population Statistics.

Note: SC1-4 includes professional and managerial occupations, intermediate occupations and small employers. SC5-8 includes lower supervisory and technical occupations, semi-routine occupations, routine occupations and long-term unemployed/never worked.