

23rd November 2015

Dear Chancellor,

**AN 'ALL OUT ASSAULT ON POVERTY':
A PLAN FOR SOCIAL JUSTICE IN YOUR SPENDING REVIEW:**

At this year's Conservative Party Conference the Prime Minister launched an '*all-out assault on poverty*'. He said "*If you want a lecture about poverty ask Labour but if you want something done about poverty - come to the Conservatives.*" Conservative social justice meant tackling '*homes where no-one works, children growing up in chaos, addiction, mental health abuse and family breakdown*'. The Centre for Social Justice is calling on the Government to use the Spending Review to make a historic commitment to social justice.

The Prime Minister's newly launched Life Chances agenda is about saying let's actually tackle the reasons why someone is poor, by removing the obstacles that confront families so that they can take responsibility for their own lives. The Prime Minister's Life Chances Agenda starts with the understanding that if you are born into a family that cares for you, you are well educated, you have a job, you don't pick up a drug habit and you don't get into debt, you are very unlikely to be poor.

A HISTORIC WELFARE ANNOUNCEMENT:

This Government, could finally break the cycle of poverty – something no Government, left or right, has ever been able to achieve. The Centre for Social Justice is calling on the Government to tackle the root causes of poverty in Britain and to use the Spending Review to align its major social programmes with its new Life Chances Agenda. The Troubled Families programme, the Work Programme and Universal Support should all be redirected to support family stability, narrow the educational achievement gap, recovery from addiction, financial literacy for those carrying unmanageable personal debt and employment. All three programmes are already funded but now need to be realigned so that they address the root causes of poverty with a relentless focus on the Life Chances outcomes.

FAMILY STABILITY:

Family stability has a big impact on children growing up in poorer homes and the life chances of these children. It should be a key measure of success in the Prime Ministers Life Chances Agenda. There is a significant 'family stability gap' in this country between better off and poorer households.

Almost two thirds (65 per cent) of children aged 12–16 in low-income households do not live with both birth parents, 26 per cent higher than the figure for better-off households.¹

The Spending Review should take steps to:

1. ERADICATE THE COUPLE PENALTY:

There is a disincentive in the welfare system for couples to build long term stable families. The Government's Universal Credit reforms have already gone a long way to eliminating the couple penalty but some working couples can still receive more living apart than living together. This is particularly concerning where children are involved, given the importance of long term family stability for the wellbeing and life chances of children.

2. TARGET FAMILY STABILITY SUPPORT WHERE IT IS NEEDED MOST:

The Government spends only 1.5p for every £100 of social harm caused by family breakdown. The CSJ is calling on the Government to invest £15 million on targeted relationship support, tripling the amount the Government currently spends.

3. CHILDREN'S CENTRES TO BECOME 'FAMILY HUBS':

Family stability should not be the preserve of the middle class. By the age of five, 48 per cent of children in low-income households are not living with both parents. This can make life considerably harder. To reverse family breakdown the Government should convert Children's Centres to Family Hubs which would offer tried and tested relationship support interventions. These should be precisely targeted at the poorest communities with the highest levels of family breakdown.

ADDICTION

4. EXPAND RECOVERY PROGRAMMES FOR ADDICTS:

Across the country almost 50,000 heroin addicts have been 'parked' on state-supplied methadone for more than four years².

At present effective drug and alcohol treatment is largely the preserve of the wealthy who can afford places at residential rehab centres. There should be an ambition to extend abstinence-based residential treatment to all people suffering from addiction so as to help them recover and rebuild their lives. The CSJ is calling on the Government to fund a new generation of care through a Treatment Tax of 1p on every unit of alcohol sold off licence.

¹ DWP, Social Justice: transforming lives – One year on, Op. cit; CSJ Report: Fractured Families (2013), p55

² National Treatment Agency for Substance Abuse, Estimates of the Prevalence of Opiate Use and/or Crack Cocaine Use, 2010/11 [accessed via: [www.nta.nhs.uk/uploads/prevalence_estimates_201011bylocalauthority\[0\].xlsm](http://www.nta.nhs.uk/uploads/prevalence_estimates_201011bylocalauthority[0].xlsm) (07.08.14)]; Public Health England (PHE), Drug Statistics from the National Drug Treatment Monitoring System, 2013 [accessed via: www.nta.nhs.uk/uploads/annualdrugstatistics2012-13-statisticalreport.pdf 06.08.14]

SERIOUS PERSONAL DEBT:

5. FINANCIAL LITERACY SUPPORT FOR UNIVERSAL CREDIT CLAIMANTS:

Serious personal debt is not just a consequence of poverty it is also a driving force behind some of the most entrenched poverty in Britain today. Serious personal debt keeps people poor:

Almost half of households in the lowest income decile are spending more than a quarter of their income on debt repayments³ and an estimated 1.85 million households are three months in arrears on at least one household bill or payment⁴.

We are asking the Government to align services targeted at individuals at risk of serious personal debt with the process of claiming Universal Credit. This is about linking services that already exist and ensuring that where a claimant raises concerns about historic unmanageable personal debt, they are supported with practical financial literacy advice and referred to a money advisor to help them manage their household finances and avoid falling deeper into problem debt.

EDUCATIONAL UNDERACHIEVEMENT:

6. EXTENDING THE ROLE OF OUTSTANDING PRIMARY SCHOOLS INTO CRITICAL EARLY YEARS PROVISION:

We need to stop poorer children falling behind before their first full day of school.

50 per cent of children in some areas of social disadvantage start school with poor language skills⁵ and there is a 19 month gap at the start of school between the most and least advantaged children.⁶ Outstanding primary academies in the poorest areas should be incentivised to set up early years provision and the Government should help the best academy providers into the worst performing areas.

WORKLESSNESS:

7. SUPPORT FULL TIME WORK AS THE BEST ROUTE OUT OF POVERTY:

Universal Credit reforms will ensure that it always pays to work. Full time work and upskilling is the best route out of poverty. If the Government wants to turn lives around we need a

³ Bank of England, NMG Consulting Survey 2011, London: NMG Consulting, 2011 [accessed via: <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/nmgsurvey2011.xls> (21/10/13)]

⁴ 1 Department for Business, Innovation and Skills, Credit, Debit and Financial Difficulty in Britain, 2012, London: Department for Business, Innovation and Skills, 2013 [accessed via: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208075/bis-13-p187-a-report-using-data-from-the-yougov-debttrack-survey.pdf (21/10/13)] Calculation based on 7% having arrears 26.4 million households from ONS Office for National Statistics, Population and household estimates for the United Kingdom, March 2013, London:ONS, 2013 [accessed via: http://www.ons.gov.uk/ons/dcp171778_304116.pdf (24/10/13)]

⁵ Ainscow et al, An Evaluation of The Communication Trust's 'Talk of the Town' Project, Manchester: Centre for Equity in Education, 2012

⁶ Department for Education, Early Years Pupil Premium and funding for two-year-olds, London: Department for Education, 2014, p3

renewed commitment to helping those in receipt of Universal Credit increase their skills and move from part time to full time work.

Only around 25 per cent of low-paid workers 'escape' low pay⁷. Most low paid workers, stay low paid, keeping them in poverty.

As the British jobs miracle increases employment to record levels it is becoming increasingly clear that there are a small group of people who struggle to enter work or who struggle to progress in work. By employing personal work coaches to help those furthest from the workplace find work, and by sticking to its commitment to halve the disability employment gap, government can help more people into employment and progress in life.

WORKING TAX CREDITS:

Tax credits and the subsequent migration onto Universal Credit are fundamentally about work incentives: the incentive to move into work (the work allowance) and the incentive to progress in work (the taper). They are at the heart of the Government's 'jobs miracle'.

The projected annual budgetary saving through changes to tax credits is £4.4 billion. As the Government plans to turn a surplus of £10 billion in 2019/20 and of £11.6 billion in 2020/21, the simplest means of mitigating the effects of tax credit changes would be to rethink them.

Government could do this and still generate a surplus by the end of the Parliament, protecting those who are doing the right thing by taking work.

At the same time, by 2020 only nine per cent of people currently on tax credits will still be on tax credits. The vast majority of those on working-age benefits will have migrated to Universal Credit and the Government will have succeeded in fundamentally transforming the welfare system.

If the Government is minded to pursue its stated intent, there are a number of options at its disposal:

- **Transitional advice:** help individual families understand how the changes will affect them and provide advice on how to mitigate the effects;
- **Transitional support:** provide funding to help those worst affected by the changes;
- **Phase the changes in:** bring in the reforms incrementally between April 2016 and the end of the Parliament to give families more time to adjust;
- **Limit changes to new claimants:** allow families currently on benefits to carry on with tax credits at the same level but apply the new rates to new claimants.

This Government has said tackling poverty is 'one of its most important priorities' – the Spending Review on November 25th could help to define this Government as a truly One Nation Government that is committed to an all-out assault on poverty.

Yours sincerely,

Baroness Stroud,

Chief Executive, Centre for Social Justice

⁷ Resolution Foundation, Escape Plan, London: Resolution Foundation, 2014, p17-18