

Title: Impact Assessment of the change in conditionality for responsible carers on Universal Credit Lead department or agency: Department for Work and Pensions Other departments or agencies:	Impact Assessment (IA)
	Date: July 2016
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: devolution.commsandbriefing@dwp.gsi.gov.uk
Summary: Intervention and Options	RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present	Net cost to business per year (EANCB on	In scope of One-In, Two-Out?	Measure qualifies as
N/A	N/A	N/A	No	NA

What is the problem under consideration? Why is government intervention necessary?
 The Government is committed to ensuring that all households are able to participate fully in society. Providing additional support for parents to move into work, and conditionality to require them to engage with it enables them to take financial responsibility for themselves and their children. Employment among lone parents increased as conditionality was extended, but it remains low for parents of younger children. Since 2010, over 100,000 additional parents moved into work. Evidence from extending conditionality in GB has been linked to increases in employment rate so supports extending this support to parents of younger children aged 3 and 4 so it will enable many more households to move into work. We agreed with the Northern Ireland Assembly that the current position is financially unsustainable and parity across the UK must be restored.

What are the policy objectives and the intended effects?
 The changes are intended to enable parents to re-enter employment, increasing the speed at which they can do so. The support also ensures that parents who are not expected to move into work immediately are given the additional help to prepare for a return to work in the future or when the child turns 3. There will be a longer term improvement in children's wellbeing and life chances as fewer will grow up in workless households.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 The options in respect of conditionality for responsible carers that were considered were to: 1) do nothing; or 2) place into the All Work Related Requirements group on Universal Credit (though protecting vulnerable groups) responsible carers with a youngest child aged 3 and 4. The second option was selected as this extends the opportunities awarded to parents with older children to parents with children aged 3 and 4. It is estimated that this policy will deliver a significant net benefit with additional parents moving into employment.
 The Fresh Start Agreement set out that these regulations would be passed through Westminster to ensure swift implementation.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 03/2020						
Does implementation go beyond minimum EU requirements?			No			
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro No	< 20 No	Small No	Medium No	Large No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:  Date: 04/07/16

Summary: Analysis & Evidence

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 15/16	PV Base Year 15/16	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		£40m	

Description and scale of key monetised costs by 'main affected groups'

For the Government there will be an increase in administrative and support costs to implement the policy and to provide additional support.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		£25m	

Description and scale of key monetised benefits by 'main affected groups'

Parents of children aged 3 and 4 will benefit from increased income through wages. They are also more able to contribute to society as they progress in work and pay taxes.

Other key non-monetised benefits by 'main affected groups'

There are likely to be other benefits to moving into work including increased wellbeing of individuals who find work and these impacts are not fully captured in our estimate of the health impacts of work. In addition parents moving into work provide increased life chances for their children who are no longer living in workless households.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

(1) the majority of responsible carers are assumed to claim Universal Credit when their Income Support eligibility ends, with remainingder going on to claim ESA, to remain on Income Support, or to move directly into employment or off benefits (2) carers claiming Universal Credit are assumed to move off benefit faster than previously on Income Support given the improved work incentives of the benefit.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	NA

Introduction

The Welfare Reform and Work Act 2016 in Great Britain incorporates a number of policy changes designed to improve work incentives and enhance fairness, whilst ensuring support for the most vulnerable. This aligns Northern Ireland to the rest of the UK.

In the Fresh Start Agreement¹, the Northern Ireland Executive agreed an approach to implementing welfare reform in NI. The deal reached included agreement for the Government to legislate for welfare reform in NI reflecting the Welfare Reform Act 2012 and the changes in the then Welfare Reform and Work Bill, which has now become an Act. Consistent with that Agreement, this Order will implement the welfare aspects of the Welfare Reform and Work Act 2016, as well as allowing for NI Ministers to implement mitigation schemes agreed by the NI Executive, from within their own budget.

Alongside this mitigations have been assessed and will be put in place following the Evason report, January 2016².

The current policy

Currently, responsible carers in Universal Credit with a youngest child aged 3 or 4 are allocated to the Work Preparation group. They are expected to take active steps to prepare for work; however they are not required to look for work. An increase in conditionality will ensure parents engage with the support and opportunities available to them to pursue work.

Policy objective

The policy is that all responsible carers with a youngest child aged 3 or 4 will be allocated to the All Work Related Requirements group and will be required to look for and be available for work. They will be subject to the general requirements set out in Sections 17 and 18 of the Welfare Reform Act 2012 and will be expected to take reasonable steps or any particular steps as required by the Secretary of State to obtain work.

Increased conditionality for responsible carers (Lone Parent Obligations or LPO) has been gradually rolled out since November 2008 in 2016 lowering the age of the youngest child to 5 and over for responsible carers to which this policy applies in Northern Ireland. Before then, lone parents with a youngest child up to the age of 16 could claim Income Support as a lone parent and they were not supported to move into work. This threshold age for the youngest child is now 5 in Jobseeker's Allowance for lone parents and for all responsible carers in Universal Credit.

The policy will be an extension of the current policy for responsible carers whose youngest child is 5 or older; including the requirements to look and be available for work. Responsible carers with a child aged 2, currently subject to Work Focused Interview requirements, will also now be expected to take steps to prepare for work.

Exchequer Impact

As a result of not mirroring the measures contained in the Welfare Reform Act 2012 (including extending conditionality for responsible carers) in Northern Ireland the Executive has had to pay HM Treasury £2m per week (in total) to cover additional welfare payments. This is unsustainable and parity with GB needs to be restored, including implementation of measures out lined in the Welfare Reform and Work Act 2016.

Impact on Households

According to the quarterly Household Labour Force Survey currently there are just under 108,000 lone parents in Northern Ireland, with 51,000 lone parents in work. The employment rate for lone parents with a youngest child aged 0-4 is 47.9%, lower than the lone parent employment rate for those with children aged 5-10 which stands at 70.3% following introduction of conditionality amongst that group.

¹ https://www.northernireland.gov.uk/sites/default/files/publications/nigov/a-fresh-start-stormont-agreement_0.pdf

² <https://www.executiveoffice-ni.gov.uk/sites/default/files/publications/ofmdfm/welfare-reform-mitigations-working-group-report.pdf>

Based on the Northern Ireland Policy Simulation Model the policy is expected in steady state to affect around 30,000 households claiming Universal Credit with a youngest child aged 3 or 4. 52% of these households are lone parents.

The impacts presented are based on the following key assumptions:

- The majority of lone parents are assumed to enter the All Work Related Requirements group when their eligibility ends, with the remainder moving into one of the other Universal Credit groups or moving directly into employment or off benefits for another reason. This is in line with evidence from the previous changes to eligibility for lone parent benefits, adjusted to take account of the possibility that those with younger children might be less work ready;
- The number of new claims by responsible carers for benefits is similar to past trends;
- Responsible carers in the All Work Related Requirements group are assumed to move off benefit faster than in other groups. It is also assumed that a proportion of those who move into employment move back onto Universal Credit at a later date; and
- 60% of lone parents leaving benefit are assumed to go into paid employment, based on analysis from the Lone Parent Obligations Impact Assessment, the Families and Children Study, New Deal for Lone Parents (NDLP) statistics, and the DWP Destinations Survey. Others choose to make a claim for a new family unit with a partner, go into education or training, or move abroad.

The Government will invest in support for parents of children aged 3 and 4. This includes additional Work Focused Interviews for carers of two year olds prior to full conditionality starting when the child reaches 3.

Behavioural Impact

The Lone Parent Obligation (LPO) Impact Assessment,³ published in July 2013, demonstrated that increasing requirements on lone parents to look for and be available for work have delivered a positive impact on employment outcomes. The evaluation shows that the change increased employment for carers of 9 year olds by around 10 percentage points more than would have happened otherwise 9 months after the intervention; a pattern that was also seen in further reducing the age of the youngest child. Given this positive effect on work entry, extending conditionality was chosen as a better option over doing nothing.

There will be an increase in work incentives which should result in more parents moving into work, whilst maintaining current benefit rates or entitlement. The change will require claimants to meet additional conditionality requirements. Most of the responsible carers affected are expected to move to other conditionality groups on Universal Credit.

Assumptions

The Lone Parent Obligation Impact Assessment showed the effect on lone parents of children aged 7 and over once subject to conditionality and moved from Income Support (IS) to Jobseeker's Allowance (JSA). Over ten percentage points more lone parents were in work after conditionality than before by nine months. We would expect the current change to have similar positive employment outcomes and the evaluation impact has fed into our assumption in extending the policy to parents with children aged 3 and 4.

There is also positive evidence for increasing Work Focused Interviews. Evaluation of the New Deal for Lone Parents (DWP Research Report 484) looked at the impact that Work Focused Interviews had on the probability of lone parents leaving Income Support. The evaluation found that the effect of this support was typically larger for lone parents with younger children.

Impact on Income for Protected Groups

Households that include someone with a protected characteristic (as defined by the Equality Act) will be affected by this policy if they receive income support for lone parents and have children aged 3 or 4.

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211688/rrep845.pdf

The estimate of 30,000 households is based on the number of lone parents claiming Income Support and of those making joint Jobseeker's Allowance claims that have dependent children under 5 – claimants who are broadly analogous to those in Universal Credit who will be affected by the policy.

This policy will require responsible carers to meet additional conditionality requirements in order to receive Universal Credit. This conditionality will require carers to look for work. In many cases, it will require carers to arrange formal childcare.

Overall, those groups who are more likely to be in receipt of affected benefits are more likely to be affected by this policy change, though these groups will not see a change in benefit income in cash terms. The protected groups according to the Equality Act 2010 are:

- Age
- Disability
- Gender
- Ethnicity
- Gender reassignment
- Pregnancy and maternity
- Sexual orientation
- Religion or belief
- Marriage and civil partnership

Age

The policy impacts parents of children aged 3 & 4, therefore whilst there is no data held on systems intuitively the policy will affect households of child bearing age, therefore is less likely to affect households containing older individuals.

Disability

Where individuals are not able to move into employment and are eligible for disability related benefits they may receive them and subsequent lower levels of conditionality associated with those benefits.

Gender

Information from administrative data we have on current Income Support for Lone Parent Claimants shows that the vast majority (97%) of households in receipt of this benefit with children aged 3-4 are female. The proportion of lone parent female led households increases with the reduction in age of youngest child. Households in receipt of JSA with children under 5 are predominantly led by males (90%). These two groups together will be impacted by the policy.

Analysis can only be provided for some of the equality groups. We do not, as a matter of course monitor religious belief, political opinion, racial background or sexual orientation for the purpose of administering the social security system in Northern Ireland. However we would not expect claimants to be adversely affected on these grounds.

Life Chances

The Welfare Reform and Work Act 2016 places a duty on the Secretary of State to report annually on children in workless households and the educational attainment of children. This is because evidence shows these to be the two main factors leading to child poverty now and in the future (respectively).

This policy is intended to increase the employment rate for parents with children aged 3 and 4; it therefore provides better life chances for children who no longer live in workless households and where no-one considers work is an option. For example:

- a. Children in households where neither parent is in work are much more likely to have challenging behaviour at age 5 than children in households where both parents are in paid employment.⁴
- b. Growing up in a workless household is associated with poorer academic attainment and a higher risk of being not in education, employment and training (NEET) in late adolescence⁵.

⁴ Economic and Social Research Council (2012) Parenting Style Influences Social Mobility. Economic and Social Research Council Briefing Paper.

⁵ Barnes, M. et al. (2012) Intergenerational Transmission of Worklessness: Evidence from the Millennium Cohort Study and Longitudinal Study of Young People in England. Department for Education research report 234