CHALLENGING 12 MYTHS AND STEREOTYPES ABOUT LOW INCOME FAMILIES AND SOCIAL SECURITY SPENDING

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Introduction

In recent months debates about social security spending and poverty have revolved around long-term out-of-work parents and a focus on families with large numbers of children or families who live in high costs areas (and therefore receive relatively large amounts in support through Housing Benefit). Whilst long-term unemployment is damaging for the people it effects and the country as a whole, and there is a valid debate to be had about how to reduce the Housing Benefit bill, this can misinform the debate about welfare and poverty skewing it towards a focus on a relatively small number of households.

The more common experience of family poverty is that of moving in and out-of-work. Low pay, job insecurity and a lack of jobs that offer progression leaves many parents trapped in the ‘low pay/no pay’ cycle. Such families rely on the social security system to pay them a living when out-of-work and to top up their income when in-work.

It is crucial therefore, that the debate about social security spending and tackling child poverty is based on the facts and framed in a responsible way which ensures that policy makers focus on those challenges most common to those living in poverty. This briefing sets out some of those facts, addressing some of the common myths and misunderstandings about social security spending and poverty amongst low-income families.

Key figures/points

- Only 8% of those on out-of-work benefits have 3 or more children.
- Rather than living ‘lavish’ lifestyles, out-of-work families with 3 or more children are less likely to be able to afford a basic standard of living.
- 60% of children in poverty have at least one parent in-work.
- Just 0.8% of welfare spending is lost through benefit fraud and this has fallen considerably since the late 1990s.
- It is wrong to frame the debate about welfare spending so emphatically, as some have, around out-of-work benefits given, for example, that 54% of social security spending supports pensioners.
- Government spent £20.9 billion on subsidising low-pay through in-work tax credits in 2010/11 compared to £7.6 billion on out-of-work tax credits.
- The majority of children in poverty are in households with two or fewer children.
- Only 2.7% of families in Britain have an alcohol dependent parent, and 0.9% a drug dependent parent, and these families are atypical across the population.
Further details and myth busting

Myth 1: “There are lots of parents who are out-of-work with large numbers of children”

Whilst government rhetoric has suggested it wants to put an end to out-of-work parents having more and more children, the evidence suggests that the number of out-of-work parents with more than 2 children is relatively small:

- Only 8% of those on out-of-work benefits have 3 or more children. i
- There is an average of 1.8 children per family in the UK. There is little marked difference in terms of the average number of children per family when broken down by the socio-economic status of the head of household. ii
- Of the 973,000 families with three or more children in receipt of tax credits in 2010/11, 65.47% were classed as in-work (i.e. working 16 hours or more a week). iii
- A 2006 study by the Department for Work and Pensions found that the rate of couple families with at least one parent in-work (working 16 hours or more a week) differs little between families with three children (90%) and families with one (92%) or two (94%) children. iv
  - The same study found that a majority of families with 4 (80%) 5 or more (67%) have at least one parent working 16 hours or more a week.

So whilst the likelihood of either parent working 16 hours or more appears to reduce in households with 4 or more children (perhaps not surprising given the extra childcare costs and parenting commitments this requires), there seems to be little evidence to suggest that either a) a majority of large families are workless families or that b) workless families with large numbers of children make up a significant proportion of those claiming out-of-work benefits.

Myth 2: “It is possible to lead a lavish lifestyle by ‘choosing’ to not work and have more children/ “It pays to be out-of-work and to have lots of children”

It seems unlikely that large numbers of parents are choosing to remain out-of-work and to have more children to fund a ‘lavish lifestyle’:

- Families with 3 or more children are more likely to be in poverty than those with 1 or 2 children (35% of children in families with three of more children are in poverty, compared to around a quarter of children in smaller families). v
- Rather than living ‘lavish’ lifestyles, out-of-work families with 3 or more children are less likely to be able to afford a basic standard of living.
  - An out-of-work couple family with 3 children (with typical housing costs) is likely to be around £215 a week short of what they need to meet minimum living standards (a similar family with 1 child is £171 a week short, and a similar family with two children is £179 a week short).
  - An out-of-work single parent with 3 children (with typical housing costs) is likely to be around £271 a week short of what they need to meet minimum living standards (a similar family with 1 child is £193 a week short, and a similar family with two children is £230 a week short). vi

It is clear that the amount of extra support provided to families who have an additional child doesn’t sufficiently meet their additional financial needs. According to a recent Joseph Rowntree Foundation report:

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Having children leaves adults on benefits worse off. Additional state support for families with children is lower than a child’s minimum needs.

Child Benefit meets only 20% of childhood costs on average for out-of-work couple families and just 18% for out-of-work single parent families. Child Benefit has been frozen since 2010 and will have lost 10% of its value by 2014.ix

Myth 3: “Out-of-work families get benefits for having children whilst in-work families don’t”

It isn’t just out-of-work families who receive extra social security payments when they have a child. At present all families get extra social security payments when they have a child through Child Benefit payments. In addition, many low to modestly paid working families receive extra payments through the tax credit system and the state spends more on Child Tax Credits for working families than it does on out-of-work families.

- In 2010/11 HMRC spent £12.8 billion on in-work Child Tax Credit compared to £7.6 billion on out-of-work Child Tax Credit.x

Myth 4: “Providing extra financial support to families in poverty/out-of-work families just results in it being misspent by parents on alcohol and drugs”

In some instances parents in poverty are portrayed as being unable to manage their money effectively and ‘wasting’ money on drugs and alcohol. In fact this runs counter to the evidence and our experience of working with parents which shows that low income parents are often adept, out of necessity, at managing on tight budgets and protecting their children from the worst effects of poverty:

- Low income parents are more likely to spend extra financial support provided through the benefits system on their children than better off parents.xi
- While the impact of having a parent who misuses alcohol or drugs is very significant, the number of families with such parents is small. The most recent data available shows these families are atypical across the population: only 2.7% of families in Britain have an alcohol dependent parent, and 0.9% a drug dependent parent.xii

The truth is that parents on low incomes are cutting back on things for themselves so that their children don’t suffer. Research by Save the Children found:

- Well over half (61%) of parents in poverty say they have cut back on food
- Over a quarter (26%) say they have skipped meals in the past year.xiii

Whilst alcohol and drug misuse combines with other factors (like poor diet and bad housing) to have a greater detrimental impact on people from low income background compared to those from higher socio-economic groups, it is worth bearing in mind the following:

- Children from middle class families are more likely to have tried alcohol by age 12 than children from low income homes.xiv
- A recent 4Children report rightly highlighted the impact drinking by parents has on parenting ability and child development and also that the “households most likely to drink were the wealthiest - with almost four times as many families in the top-earning groups, drinking every day compared to the poorest.”xv
Myth 5: “Poverty is caused by parents choosing not to work”

Some argue that child poverty is driven by parents ‘choosing’ not to work. Actually, the evidence shows that child poverty is driven by a lack of jobs, a lack of full-time jobs and a lack of jobs paying decent wages.

- 60% of children in poverty have at least one parent in-work.
- A record number of people, 1.42 million are working part-time because they can’t get full-time work.
- 5 million people in the UK are being paid less than the living wage.

Myth 6: “Most people who are unemployed have been out-of-work for a long-time”

Whilst long-term unemployment is a problem for those people it affects, it is wrong to frame the debate about parental unemployment and poverty around long-term unemployment or to suggest that many parents ‘choose’ to stay unemployed and don’t work for long periods of time. Most people don’t stay out-of-work for more than a year and the real problem is people who find themselves regularly in and out-of-work, trapped in the no pay/low pay cycle.

- Most people on JSA claim for less than a year. In fact, 55% of those currently receiving JSA have been claiming for less than 6 months.

Myth 7: “Most welfare spending goes to people who are out-of-work and of working age”

This is far from the case. Most of the social security bill goes to pensioners, not to people of working age.

- Payments aimed at pension-age recipients (such as state pension, Pension Credit etc.) account for 54% of total social security spend, projected to rise to 58% by 2016-17.
- Expenditure by the DWP and HMRC on benefit payments, tax credits and state pensions is forecast to be £202.9 billion in 2012/13, accounting for 30% of total public expenditure and 13% of GDP.

And a large proportion of the social security budget spent on those of working age goes towards subsidising low paid jobs – through tax credits and increasingly through Housing Benefit.

- In 2010/11, the vast majority of the £28.54 billion spent on tax credit entitlements by HMRC (£20.94 billion or 73.3%) went to working families (i.e. those working 16 hours or more a week).
- Amongst those who received tax credits in 2010/11, in-work households made up the vast majority of claimants (76.82%).
- Increased spending on subsidising low-pay accounted for 79.2% of the increase in spending on tax credits between 2004/05 and 2010/11.
- The number of working people claiming Housing Benefit in England and Wales has risen by 417,830 since 2009. Nearly 10,000 more working families every month are now reliant on Housing Benefit to help pay their private rent.
Myths 8: “Most people on benefits are fiddling the system”

This just isn’t the case. The amount we lose to benefit fraud is comparatively small and has fallen substantially since the late 1990s. It is also less than the amount we lose to errors by those operating the system.

- In 2011-12, overpayment due to fraud and error in respect of DWP benefits is provisionally estimated to have remained at around £3.2bn (2% of total DWP benefit spend), of which £1.1bn was due to fraud (0.8% of benefit spending). Also, an estimated £1.3bn was underpaid in error.xxiv

Myth 9: “There are large numbers of families receiving out-of-work benefits living in expensive houses the vast majority of people could never afford”/ “the state pays for workless people to live in mansions”

The truth is that only a small number of households were receiving support through Housing Benefit worth £50,000 or more a year before a cap came in on the amount of support a household can receive through Housing Benefit (£20,800 a year).

- In March 2012 just 110 households in receipt of Housing Benefit received over £50,000 a year (out of 5,014,650 recipients) xxv
- According to the latest DWP figures, the average Housing Benefit award is £4651.92 a year. xxvi
- In fact, only 0.037% of Housing Benefit claimants are receiving more than £30,000 per annum and most of those are receiving between £30,000 and £40,000.xxvii
- Surprisingly a third of children in poverty live in owner-occupier families with around a third in social housing and a third in privately rented housing.xxviii

Myth 10: “Most families in poverty have large numbers of children”

Larger families are at greater risk of poverty than families with one or two children, largely because of the extra cost having more children entails and greater barrier to labour market participation it can create. However, it is wrong to say that having 3 or more children is the experience most common to families in poverty.

- Over two thirds (68%) of children in poverty live in families with one or two children. xxix

Myth 11: “There are lots of children living in families who have never worked”

There is sometimes confusion between data showing workless households and households where no one has ever worked. Yet the difference between these figures is great and it appears preventing temporary worklessness and supporting parents when this is unavoidable should be a greater focus for policy makers interested in tackling child poverty.

- 12.8% of households containing dependent children are currently classed as workless households.
- Just 2.1% of children are classed as living in households where no one has ever worked (and this includes households where parents may have never worked for good reason – ie. disability or longstanding illness, or where parents have recently finished studying and have only just entered the labour market).xxx
Myth 12: “Low-income families are usually single parent families”

Whilst the risk of poverty is greater amongst single parent families compared to couple families (not surprisingly given that single parent families are reliant on one individuals being able to bring in a wage), the majority of children in poverty are in couple families.

- Two thirds (65%) of children living in poverty are in couple households.

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2 Income Support or JobSeekers Allowance
3 Save the Children calculation based on DWP figures for February 2012 (see DWP tabulation tool: http://83.244.183.180/100pc/tabtool.html)
4 Sourced on 02/11/12 from Office for National Statistics: Families by (i) socio-economic classification of head of family and (ii) number of dependent children per family, 2011
5 Save the Children calculation based on figures sourced from: HM Revenue and Customs, 2012, Child and Working Tax Credits Statistics - Finalised annual awards NB: Tax credit data classes in-work recipients as those working 16 hours or more and out-of-work recipients as those either not working at all or working less than 16 hours a week.
6 Maria Iacovou and Richard Berthoud, 2006, The economic position of large families The Department for Work and Pensions
7 Department for Work and Pensions, June 2012, Households Below Average Income
8 Save the Children calculations based on the difference between the income of a family in receipt of out-of-work benefits and the Minimum Income Standard as calculated by the Joseph Rowntree Foundation. Based on families with school age children. Amounts are after housing and council tax costs are covered.
10 HM Revenue and Customs, 2012, Child and Working Tax Credits Statistics - Finalised annual awards
12 Save the Children
13 Gould N. 2006 Mental health and child poverty Joseph Rowntree Foundation
14 Whitham, G. September 2012, Child Poverty in 2012: It shouldn’t happen here Save the Children
15 Based on findings from an Ipsos-Mori poll conducted on behalf of Drinkaware in March 2012.
16 4Children, October 2012, Over the Limit: The truth about families and alcohol
17 Department for Work and Pensions, June 2012 Households Below Average Income
19 Markit Group Limited, October 2012, Living Wage Research for KPMG Current Trends in Household Finances and Structural Analysis of Hourly Wages KPMG.
20 Save the Children calculations based on figures sourced from the Office for National Statistics NOMIS site on 29th October 2012.
21 House of Commons Library, Social Indicators: RESEARCH PAPER 12/59 19 October 2012
22 House of Commons Library, Social Indicators: RESEARCH PAPER 12/59 19 October 2012
23 Save the Children calculation based on figures sourced from: HM Revenue and Customs, 2012, Child and Working Tax Credits Statistics - Finalised annual awards
24 National Housing Federations, October 2012, Home Truths 2012
26 As stated by Steve Webb MP (Minister of State for Work and Pensions) in response to a Parliamentary Question on 05/07/12
27 Department for Work and Pensions, DWP Quarterly Statistical Summary August 2012
28 Save the Children calculation based on data provided in response to a Parliamentary Question on 05/07/12