

**Title: Child poverty update**

**a) Potential negative impact of rising National Living Wage**

**b) Cost of school uniforms**

**Author:** Hitesh N Patel (Chief Executive of Citizens Advice Halton)

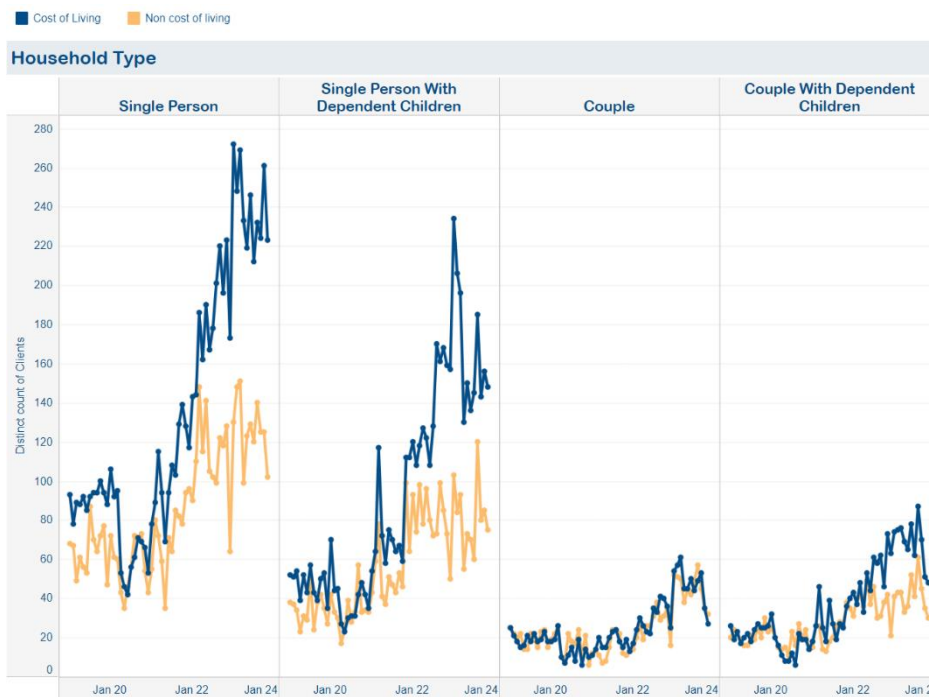
**Date:** 22<sup>nd</sup> December 2023

**1 Introduction:**

1.1 It is widely recognised that child poverty has been increasing significantly across the country. According to the Child Poverty Action Group:

- There were 4.2 million children living in poverty in the UK in 2021-22.1 That's 29 per cent of children, or nine in a classroom of 30. *(Latest estimates suggest this figure has now increased to over 4.5 million)*
- 44 per cent of children living in lone-parent families are in poverty. Lone parents face a higher risk of poverty due to the lack of an additional earner, low rates of maintenance payments, gender inequality in employment and pay, and childcare costs.
- Work does not provide a guaranteed route out of poverty in the UK. 71 per cent of children growing up in poverty live in a household where at least one person works.

1.2 Although these are national statistics, data from Citizens Advice Halton shows Halton families with young children are struggling too. The below charts show the number of Cost of Living related enquiries (e.g. food/fuel vouchers, energy advice, debt, etc.) has increased quite significantly over the last 3 years, especially for those households with children.



## **2 Purpose of this report**

- 2.1 Although child poverty is mainly driven by macro-economic (and central Government) policies, this report focuses on two specific areas that have a local impact:
- The potential negative impact of rising National Living Wage rates
  - The unaffordable cost of school uniforms.
- 2.2 This report highlights some of issues faced by local families and sets out some steps local partners could take to help reduce the financial burden faced by families with young children in schools.

## **3 The potential negative impact of rising National Living Wage rates**

- 3.1 The rise in the National Living Wage (NLW) announced at the Autumn Statement in November was very welcome. From April, the lowest paid employees will earn £11.44 per hour, rather than £10.42 — an increase of 9.8%.
- 3.2 There was good news for young people in particular. 21 and 22 year-olds will be eligible for the NLW for the first time, so their minimum hourly pay rises by 12.4%. People aged 18–20, and people under 18 or working as apprentices, will see rises of 14.8% and 21.2% respectively.
- 3.3 Sadly, however, it is not all good news. In a welfare system for working-age people based largely on income-related benefits, higher earnings can lead to the reduction of benefit income and a loss of eligibility for things like free school meals. The NLW is also used as a benchmark for exemptions to the benefit cap and conditions around searching for work — a higher value tends to restrict the numbers eligible for such exemptions.

### **3.4 5 possibly not-so-good child poverty implications of increasing National Living Wage...**

#### **3.4.1 Low-income working households will not see the full value of a higher NLW**

- Many low-income households with children receive part of their income from employment, and part of their income in Universal Credit and other benefits. Thankfully, the government has decided to uprate working-age benefits by 6.7% from April 2024. But NLW is going up by nearly 10%, which means that benefit payments will be reduced, as earnings rise, at a faster rate than they are increasing.
- Some people will be moved off Universal Credit altogether as a result of these changes. Receiving only a very small amount of Universal Credit can mean households are eligible for 'passport' support with living costs such as the Warm Homes Discount or Cost of Living Payments (although the latter scheme is due to end before April 2024).

#### **3.4.2 Fewer parents will be exempt from the benefit cap as a result of higher NLW**

- 90% of households subject to the benefit cap include children (according to the latest statistics).
- The benefit cap will be frozen in 2024. This means that some households will see little or no gain from the uprating of Universal Credit and/or LHA.
- The threshold for earnings-related exemption to the benefit cap is expected to rise from £722

to £793 per month in April 2024.

- Parents who are skilled workers with higher hourly pay often work reduced hours in order to care for young children. It is expected that from April 2024 these parents will now have to work extra hours

### 3.4.3 A higher NLW lifts families out of eligibility for free school meals

- To qualify for free school meals (FSMs) in England and Wales, a household must have earnings of no more than £7,400 per year.
- When this cut-off was introduced in 2018, it was equivalent to working for around 18 hours per week, earning NLW. With the threshold frozen ever since, from April 2024 it will be equivalent to working around 12 hours per week, earning NLW. As a result, far fewer low-income households will qualify for FSMs for their children.
- And school meals are effectively more expensive for Universal Credit claimants than households without income-related benefit income — because Universal Credit payments are withdrawn at a rate of 55p for every additional £1 earned. Once parents reach the £7,400 cliff-edge and lose FSM eligibility, they must earn more than double the annual cost of £480.70 per child to increase their overall income by an equivalent amount.

### 3.4.4 A higher NLW has implications for Universal Credit conditionality

- One of Universal Credit's lesser-known features is the Administrative Earnings Threshold (AET), which determines the extent of conditionality that a claimant may be subject to.
- The AET is linked in regulation to National Living Wage (NLW). A single person must have earnings equivalent to 15 hours per week earning NLW, and a couple must have earnings equivalent to 24 hours per week earning NLW, in order to be eligible for 'light touch' conditions. If they earn less than this, they will be placed in an **intensive work search (IWS)** regime with requirements to seek a higher paid job and significantly increased **threat of sanctions**, if conditions are not met.
- People already working the required hours at NLW will of course not be affected by this change. But take the example of a part-time employee, working around 12 hours per week and earning around £13.50 per hour. They are a single parent for one child and have a Universal Credit award of around £460 per month (excluding housing costs). Their Universal Credit award will rise as a result of uprating, but their pay will not rise as a direct result of the NLW increase.
- Therefore, whereas their weekly earnings this year lift them out of conditionality, next year they will be subject to IWS conditions. They could try to increase their hours or pay to avoid this — but would then also lose some of their benefit income.

### 3.4.5 Self-employed parents may lose benefit income when NLW rises

- Self-employed parents can claim Universal Credit, but their entitlement is based on a Government set 'minimum income floor' (MIF) as opposed to their actual income.
- Even where designated as the main carer for children aged 3–12, the Universal Credit system will now assume a self-employed claimant has earnings equivalent to 30 hours per week earning NLW. This is a significant increase from the rules applicable in 2023/24 (16 hours for parents of 3 and 4-year-olds, and 25 hours for parents of 5 to 12-year-olds).

- Given that self-employed people will not automatically see their earnings rise in line with NLW, a higher NLW (along with higher MIF) risks the benefit payments of self-employed parents being reduced significantly.

### 3.5 Recommendations

- 1) There is a coordinated awareness raising campaign to alert parents of the above changes
- 2) There is increased capacity to undertake benefits checks and better-off calculations to support parents to budget according for April 2024 and beyond.
- 3) As the numbers of pupils on Free School Meals directly impacts the amount of Pupil Premium income schools can receive, steps be taken to help schools plan accordingly.

## 4 Cost of school uniforms

- 4.1 In November 2021, The Education (Guidance about Costs of School Uniforms) Act 2021 introduced statutory guidance for state funded and academy schools. The guidance required schools to place cost at the centre of their thinking when setting uniform policies. Schools have now had a full academic year to review their policies and ensure they are compliant with this guidance.
- 4.2 This is the Executive Summary from the attached 2023 report which builds upon work completed by Citizens Advice Halton in 2022; it explores what, if anything, has changed.
- 4.3 This is what our surveyed parents told us in 2022:
- 18% of respondents had borrowed money to cover the cost of uniforms
  - 12% of respondents had been unable to pay their priority bills such as rent and Council Tax.
  - 13% had missed meals or were unable to afford the cost of food shopping.
- 4.4 This year, our review found that many schools have relaxed their policies, however much more needs to be done to ensure parents are aware of what these new policies say.
- 90% of our sample group told us that they knew what their schools' policies were around school uniforms. Only 13 out of 67 (19%) actually got it right. Most believed that they were required to buy far more branded items than the policy required.
  - The price of uniforms targeted at those identifying as females remains significantly higher on average than that for their male peers.
  - Where generic items are allowed parents still felt pressured to buy branded items
  - 33% of parents told us they feared their child would not fit in or be bullied if they had generic items of uniform.
- 4.5 Across the borough we identified significant differences in the costs of compulsory school uniforms which supports the idea that more can be done in relation to reducing the costs for families. Alternatives to branded items directly from suppliers can remarkably reduce the costs which can have a crucial positive impact on families' budgets

- 4.6 Societal expectations have a huge impact on the pressure families face when it comes to school uniforms and much more can be done by school leaders to destigmatise the use of generic uniform items. Removal of unnecessary branded options would reduce the pressure on families to ensure their children fit in.
- 4.7 Families are already stretching their budgets amongst cost increases across all sectors which in turn is having a real impact on people's mental health and wellbeing. School leaders have a tangible ability to do so much more in reducing the cost of uniforms for families. This will give back much needed finances over the summer months so pupils can benefit directly from increased household budgets and improve families' quality of life during these months.
- 4.8 We found that within Halton there is no direct correlation between school Ofsted ratings and branded uniform driving up the standard within schools so it begs the question as to why school leaders feel the need for stricter uniform policies. There is however a plethora of evidence detailing how socioeconomic status can be a key factor when it comes to educational attainment. Schools' hard efforts should be focused more on keeping children in the classroom compared to informal sanctions and exclusions which take children away from mainstream learning and taint the very system that is there to educate them.
- 4.9 Citizens Advice Halton have sent the attached report to all local schools and the Local Authority as a matter of urgency and asked for feedback by the end of the current year. We have asked school leaders, along with their governing boards, to determine if any changes are required to their own policies. Following these discussions and decisions we have asked for feedback on how these discussions unfolded and how this will be applied within their school. This feedback will then be reviewed to ascertain what impact, if any, this will have for our local community.

#### **4.10 Recommendations**

- School leaders should revisit their uniform policies. The policy should state the rationale for requiring branded items and evidence what steps have been taken to place cost at the centre of decision making.
- Schools should review their communication strategies so that parents are able to access essential information more easily.
- Where branded items are not required, schools should work to de-stigmatise the wearing of generic items.
- Schools should ensure that their behaviour and disciplinary policies do not exacerbate financial inequalities and penalise less well-off students.
- The Local Authority should work with schools across the borough to develop best practice and template policy documents which might easily be adopted by all.
- The Local Authority should develop a strategy to work with larger companies and registered social landlords working within the borough to support families with the cost of uniforms.
- The Members of Parliament should lobby for mandatory reporting of school suspensions and exclusions which includes informal exclusions and internal suspensions including instances where children are sent home for uniform breaches.