

Title: The Social Security (Lone Parents and Miscellaneous Amendments) Regulations (Northern Ireland) 2016 Lead department or agency: Department for Work and Pensions Other departments or agencies: Her Majesty's Treasury Her Majesty's Revenue and Customs Northern Ireland Office	Impact Assessment (IA)	
	Date: 22/02/2016	
	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 Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
N/A	N/A	N/A	No	N/A

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 the society. Providing support for parents to work, and conditionality to require them to engage with it enables them to take financial responsibility for themselves and their children. Lone parents in NI with a youngest child up to the age of 7 can claim Income Support as a lone parent. Evidence from extending conditionality in GB has been linked to increases in employment rate so supports the extension of those with a youngest child aged 5 and 6 in NI.

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 policy objective is to extend lone parent conditionality from when the youngest child is 5 to NI. The changes are needed to enable parents to enter employment, increasing the speed at which they do so.

For most people, work is the best route out of poverty and this resulting in longer term improvements in children's wellbeing and life chances as fewer will grow up in workless households. 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 5.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The do nothing option was considered and rejected as this does not:

- provide this group with the additional support and requirements that enable movement into work and accompanying wider benefits;
- extend parity on social security across the UK.

A second option was considered whether to extend conditionality to parents who have children aged 5 & 6 as in the 2012 Welfare reform in GB. This second option was selected as it extends the opportunities awarded to parents to move into work, delivering a significant net benefit with additional parents moving into employment, and is in line with other measures in this package.

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 not be reviewed. **If applicable, set review date:**

Does implementation go beyond minimum EU requirements?			N/A		
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: _____ **Priti Patel** _____ Date: _____ **22/02/16** _____

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	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				

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 the additional support.

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

At this stage it is not possible to quantify the impact of the behavioural impact of the claimant commitment, changes to the conditionality regime, or changes to hardship payments. Additional flows into employment will result in costs to the individuals such as travel costs and to government for in-work benefits

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				

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

For those who move into work there will be improvements in finances and associated improvements in wellbeing. At this stage it is not possible to quantify the scale of the behavioural impact, but additional flows into employment will result in not only savings to government and they will be more able to contribute to society as they progress in work.

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

There are likely to be other benefits to 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 and a better lifestyle from no longer living in workless households.

Key assumptions/sensitivities/risks

Discount rate (%)

The majority of lone parents are assumed to claim JSA when their IS eligibility ends, with the remainder claiming ESA, remaining on IS, moving directly into employment or off benefits for another reason. Lone parents claiming JSA are assumed to move off benefit faster than on IS due to the active regime. It is also a proportion of those who moved into employment may move back onto JSA at a later date. This is based on observed outcomes from GB parent conditionality.

BUSINESS ASSESSMENT (Option 1)

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

Introduction

The suite of policy changes are designed to improve work incentives and enhance fairness, whilst ensuring support for the most vulnerable. These were implemented in Great Britain in 2012 and the package of reforms has proved to be successful in increasing moves into employment by those affected.

Welfare Reform and Social Security remain devolved in Northern Ireland; however the Northern Ireland (Welfare Reform) Act 2015 enables the UK Government to legislate for welfare reform in NI for a specified period of time. This impact assessment accompanies the subsequent Order in Council which broadly mirrors the policies in the Welfare Reform Act 2012, with NI specific flexibilities agreed in the Fresh Start Agreement. Both the Northern Ireland (Welfare Reform) Bill and the Order in Council were consented to by the NI Assembly.

Alongside this, mitigations have been assessed and will be put in place by the NI Assembly following the Evason report, published in January 2016. Funding will be provided to support those who are not able to move into work.

The current policy

Currently responsible carers in Northern Ireland with a child younger than seven are not required to look for work. Income Support is currently the main income-replacement benefit for lone parents with a child under that age. The conditionality for receipt of benefit consists of recipients required to attend a Jobs and Benefits Office every six months.

In GB responsible carers have with children aged five and six are subject to additional requirements to seek work, like those aged seven and above.

Policy objective

The policy objective is to speed up entries into employment from benefits for those able to work, and ensure that those who are able to prepare for work at a later date are given the right support at the right time. In order for this to occur the support and opportunities provided to those parents with children seven and above will be extended to enable movement into work. Conditionality will ensure parents engage with the support and opportunities available to them to pursue work.

Once the youngest child reaches five, lone parents without other income may claim JSA, or ESA if they are disabled or have a health condition that means work is not a viable option. Those claiming Carer's Allowance or those with a child receiving the middle or higher rate care component of Disability Living Allowance may continue to claim IS.

Those who find work benefit from higher income and improved wellbeing. There are also fiscal savings including a lower benefit burden, and wider social benefits. For most people, work is the best route out of poverty. DWP believes that it is important that people who can take up paid employment are given help and encouragement to do so.

Behavioural change

The GB Lone Parent Obligation (LPO) Impact Assessment¹, published in July 2013, demonstrated that increasing requirements on lone parents to look for and be available for work have demonstrated a positive impact on employment outcomes. The evaluation shows that 9 months later the change had increased employment for carers of 9 year olds by around 10 percentage points more than would have happened otherwise; a pattern that was also seen in further reducing the age of the youngest child.

This policy has been successfully implemented in GB since May 2012 and evaluation of the policy as applied to households where the youngest child is aged seven to nine shows that there is an associated increase in probability of moving into work.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211688/rrep845.pdf

There is also a higher employment rate associated with lone parents with higher age of child in GB where this policy has previously been implemented. The employment rate in NI for lone parents with children aged five and six is 59%² we anticipate this being increased by providing support to those who are not currently in employment therefore raising the overall lone parent employment rate from only 50%.

Overall the UK lone parent employment rate is the highest on record at 64.4%, this is up 7.3 percentage points since before these reform in 2010 (when it was 57.1%). These reforms will provide further boost employment rate in NI and therefore be reflected in further increases in this rate³.

Exchequer Impact

As a result of not mirroring the measures contained in the Welfare Reform Act 2012 in Northern Ireland the Executive has had to pay HM Treasury £2m per week to cover additional welfare payments. This is unsustainable and parity with GB needs to be restored.

Impact on Households

In Northern Ireland there are 3,390 lone parents claiming Income Support with a youngest child aged 5 or 6. These individuals will no longer be eligible for Income Support. For those who have children younger than five, once their youngest child reaches 5, lone parents may move claim Jobseeker's Allowance, or Employment and Support Allowance or leave benefit. 60% of lone parents who leave benefit are assumed to go into paid employment⁴.

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. There are other benefits to 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, if a parent moves into work, potentially lifting the family out of poverty and providing a better lifestyle, this may result in an increase in their child's welfare that compensates the in-work costs that people have to incur when moving into employment.

This enhanced conditionality and support to help lone parents into employment is set alongside support for working parents. The Bright Start School Age Childcare Grant Scheme for which OFMDFM is responsible grant aids providers of affordable school age childcare services. The scheme has to date assisted around 80 settings, supporting 2,200 low cost places. Individual settings can choose their own fee structure which will be either free or very low cost childcare places. These places are available and can be taken up by lone parents with children aged 5-6.

Methodology

The breakdown of those currently in receipt of Income Support in Northern Ireland and figures from the NI Labour Force Survey were supplied by the Department for Social Development's Analytical Services Unit. Taking evidence from the DWP lone parent evaluation in Great Britain indicates that when this policy is mirrored in NI there will be an accompanying increase in movement into work.

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 5 or 6. 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:

² NI are taken from the Northern Ireland Labour Force Survey Jan-Dec 2014

³ UK Labour Force Survey

⁴ 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

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

Age

This shows that over half (52.5%) of all lone parents claiming Income Support with a youngest child aged 5 or 6 are aged 25 to 34. A further third are 35-44. Across all ages conditionality is associated with additional support and movement into work.

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

As the majority of lone parents on Income Support with a child aged 5 or 6 are women (95.9%⁵) these measures will inevitably impact more on women than men. Offering employment support to lone parents of younger children will therefore promote equality of opportunity between men and women in accessing labour market opportunities.

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 new Life Chances legislation (incorporated into the Welfare Reform and Work Bill) proposes to remove a number of the legal duties and measures set out in the Child Poverty Act 2010 and to place a new 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 increases the employment rate for parents with children aged 5 and 6; 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:

- Children in workless households are much more likely to have challenging behaviour at age 5 than children in households where both parents are in paid employment.⁶
- 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 adolescence⁷.

⁵ 100% scan of the Income Support Computer System

⁶ Economic and Social Research Council (2012) Parenting Style Influences Social Mobility. Economic and Social Research Council Briefing Paper.

⁷ 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