

Paying the Price

Still 'just about managing'?

Executive summary

September 2017

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About this report

This is the final report from Gingerbread's *Paying the Price* project. The project has examined single parents' lives in an 'age of austerity' – the combined impact of a struggling economy, public spending cuts and welfare reform on their families. This report focuses on single parents' finances, looking at what has helped and hindered single parents finding financial security in difficult times.

Read our full project findings:

www.gingerbread.org.uk/payingtheprice

Acknowledgements

We would like to thank Barrow Cadbury Trust for funding this final *Paying the Price* report, and their support throughout the project.

Most importantly, Gingerbread would like to thank single parents for their participation throughout the *Paying the Price* project. Without their input, it would not be possible to conduct this work. Their insight has provided invaluable in helping us to understand the reality of lives affected by ongoing social and economic policy.

About Gingerbread

Gingerbread is the leading charity working with single parent families.

Since 1918 we've been supporting, advising and campaigning with single parents to help them meet their family's needs and achieve their goals.

We want to see a society where single parent families are valued and treated equally and fairly. And whatever success means to a single parent – a healthy family, a flexible job, stable finances, or a chance to study – we work with them to make it happen.

Still 'just about managing'?

With further political and economic upheaval on the horizon – including a new government and opening negotiations to leave the European Union – it is vital we understand how families have dealt with the repercussions of recent shifts in social and economic policy. Our *Paying the Price* project reviewed finances and work annually using surveys and public data, and followed a group of single parents throughout the course of the project to understand how their situation evolved during the period of austerity under recent governments. Worryingly, we found a swathe of families still struggling – and slipping behind – feeling the cumulative effects of welfare cuts, a pay squeeze and uncertain job prospects.

The journey for single parents has been tough

When our first *Paying the Price* report was published in 2013, single parents were on the brink of major financial changes. Benefit reform had already begun at the outset of the 2010-15 coalition government, and further cuts under the Welfare Reform Act 2012 were underway. At the same time, there were continuing fears for employment prospects in the wake of the 2007-08 financial crisis and following recession. Unsurprisingly, we found single parents under significant financial strain (Rabindrakumar, 2013). Worryingly, our final report finds that, for many single parents, this outlook has not improved in the four years since our first report – and for some, it is even bleaker.

Many single parents are not 'managing' and are at risk of debt

While single parents manage tight budgets through cutting back and careful spending, too often this is not enough. Single parent families are left at risk of debt as a result, and financial shocks can tip single parents' finances into crisis. Now crisis support has been localised and increasingly restricted, there is often limited state assistance and many parents turn to private lenders. Managing repayments on a low income means many single parents find that even one-off debts can cast a long shadow over long-term finances.

Single parents who have managed to progress have been helped by training, flexible work and their own perseverance

Single parents have experienced mixed fortunes. Finding work has helped, but often it is not enough to ensure financial stability in the face of reduced state support and an uncertain job market. While it is clear there is no uniform 'single parent' experience, for those who have managed to progress, there are some common factors that help families move towards more secure footing – particularly childcare provision, training, employer flexibility and parents' perseverance.

With further cuts and an unchanged labour market, the outlook for most single parents remains bleak

The *Paying the Price* project starkly illustrates just how difficult it has been for single parents to establish financial stability in recent years. The importance of financial support, even while working, is particularly clear – to avoid debt, provide security and ensure family well-being. However, the pressure for many single parents persists – further welfare reform is set to come into force in the coming months. If the new government is committed to its promise of social reform, it

must urgently act on improving financial and employment support to families on low incomes and help employers and others to foster a genuinely family-friendly labour market.

Recommendations

Genuine change will not just require action from the government; engagement from businesses will be particularly critical in achieving a family-friendly labour market. But in the short and medium term, there are clear options for the government – and devolved decision-makers, such as 'metro mayors' – to consider as it sets out its plan for the UK in the coming years, particularly focused on creating a fairer tax and benefit system, and improving employment support.

While some changes have cost implications, the government is not without choices over how it distributes its spending. There are options to redirect poorly targeted spending intended to help families on lower and middle incomes, for example the marriage tax allowance, or significant increases to the personal tax allowance. Indeed, it is increasingly evident that the public has a bigger appetite for a change in policy direction than perhaps previously recognised. Whether the government can respond remains to be seen.

Immediate priorities for action

- **Ensure universal credit (UC) is fit for purpose**

Much of low income families' financial security will depend on the success of UC. Now is the time to take stock and restore this flagship reform to its original intentions – to be simple, efficient and to make sure work always pays. As a priority, the government should:

- Reverse cuts to the UC work allowance to maximise work incentives and minimise in-work poverty, with cuts for single parents to be reversed as a priority
- Reduce the delay to a first UC payment, including scrapping the seven 'waiting days' for a first UC payment
- Assess the quality of jobcentre provision – particularly work coaches and claimant commitments – to ensure single parents' needs are recognised

- **Provide support for childcare costs for families struggling now**

Investment in childcare should be seen as part and parcel of investing in infrastructure – it helps life chances, employment and the economy. Yet the bulk of investment promised is not targeted at those who need it most; to address this, the government can:

- Make the £300 million promised extra childcare support under UC (to increase support from 70 to 85 per cent of costs) available to families on tax credits, now full UC roll-out is set to be delayed until at least 2022
- Extend eligibility for 30 hours' free childcare for parents of three and four year olds to those in education and training, and those on variable-hours (including zero-hours) contracts, to help those who need support to enter and progress in work
- Support claimants with up-front childcare costs through a guaranteed deposit paid directly to the childcare provider (by central government or devolved administrations, eg 'metro mayors'), which is then returned when the child leaves

- **Ensure vital support is not cut**

Welfare policy has increasingly used cuts or suspension of benefits for non-working families as a means to incentivise work. This can lead to support being cut regardless of parents' intentions to work, pushing them towards poverty – and further from the workplace. To redress the balance, the government can:

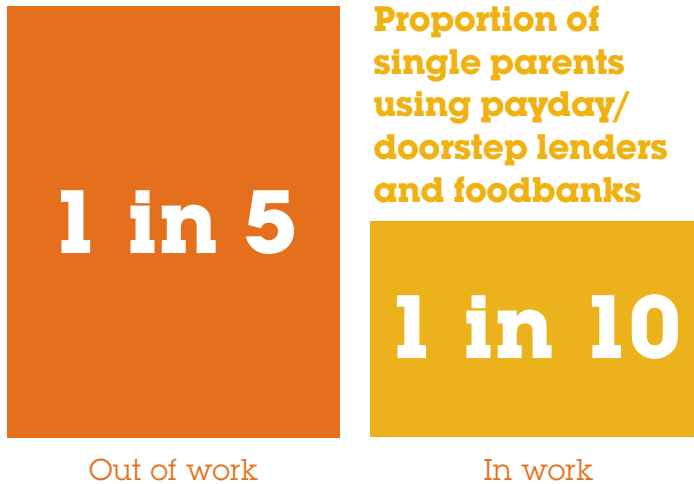
- Introduce a genuine 'yellow card' system in the sanctions process, which ensures a robust warning system before jobseeker's allowance (JSA)/UC payment is suspended
- Introduce exemptions to the benefit cap to single parents with children aged two or under and those in training.

Medium term priorities for action

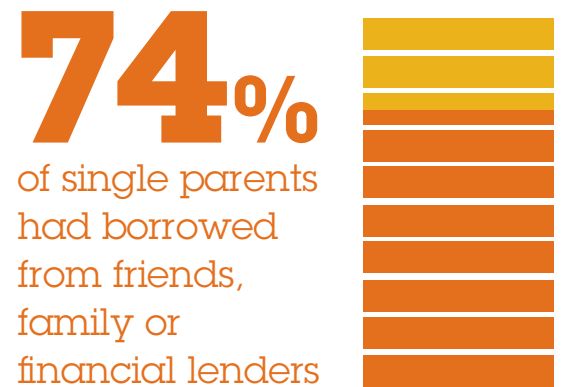
- **Restore the link between state support and need:** Reforms mean state support no longer reflects need for many low income families; restoring this link would help to ensure greater financial security – including ending the benefit freeze by uprating of working-age benefits in line with the cost of living, and ensuring fairer local authority means-testing for council tax support (eg ensure child maintenance is not counted as income and reintroduce 100 per cent exemptions for those on the lowest incomes)
- **Improve long-term debt prevention:** Beyond adequate financial support, the government can do more to intervene when families on low incomes are at risk of long-term debt – for example, if they need access to credit. This includes:
 - Working with local partners to ensure sufficient debt advice service provision
 - Developing interest-free loan provision for low income families
 - Tackling high prices charged for rent-to-own goods (eg catalogue purchases)
- **Re-think wider welfare reform:** For families struggling now, it is not enough to commit to no further reform – major changes already passed have had, and will have, a big impact on families' finances. With mounting evidence of limited cost savings and incentive effects (eg to move into work or move home), a government serious about tackling social injustice should consider reversing previous reforms such as the benefit cap and the 'bedroom tax'.

Single parent finances: a snapshot

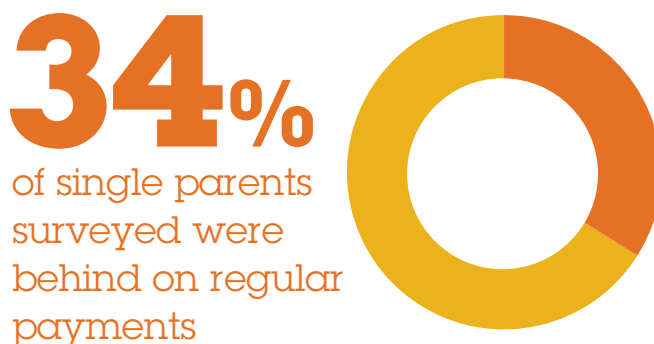
Many rely on emergency provision



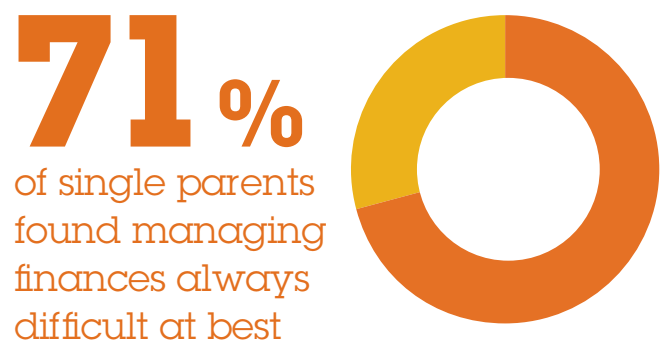
Majority have to borrow



Debt looms large



Most single parents struggling



Single parents run out of money whether in work or out

% who run out of money by the end of the month



“It’s demotivating... there are a lot of things stacked against you. But I think the key is to keep on with it basically and just not give up.”

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Single Parent Helpline

0808 802 0925

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