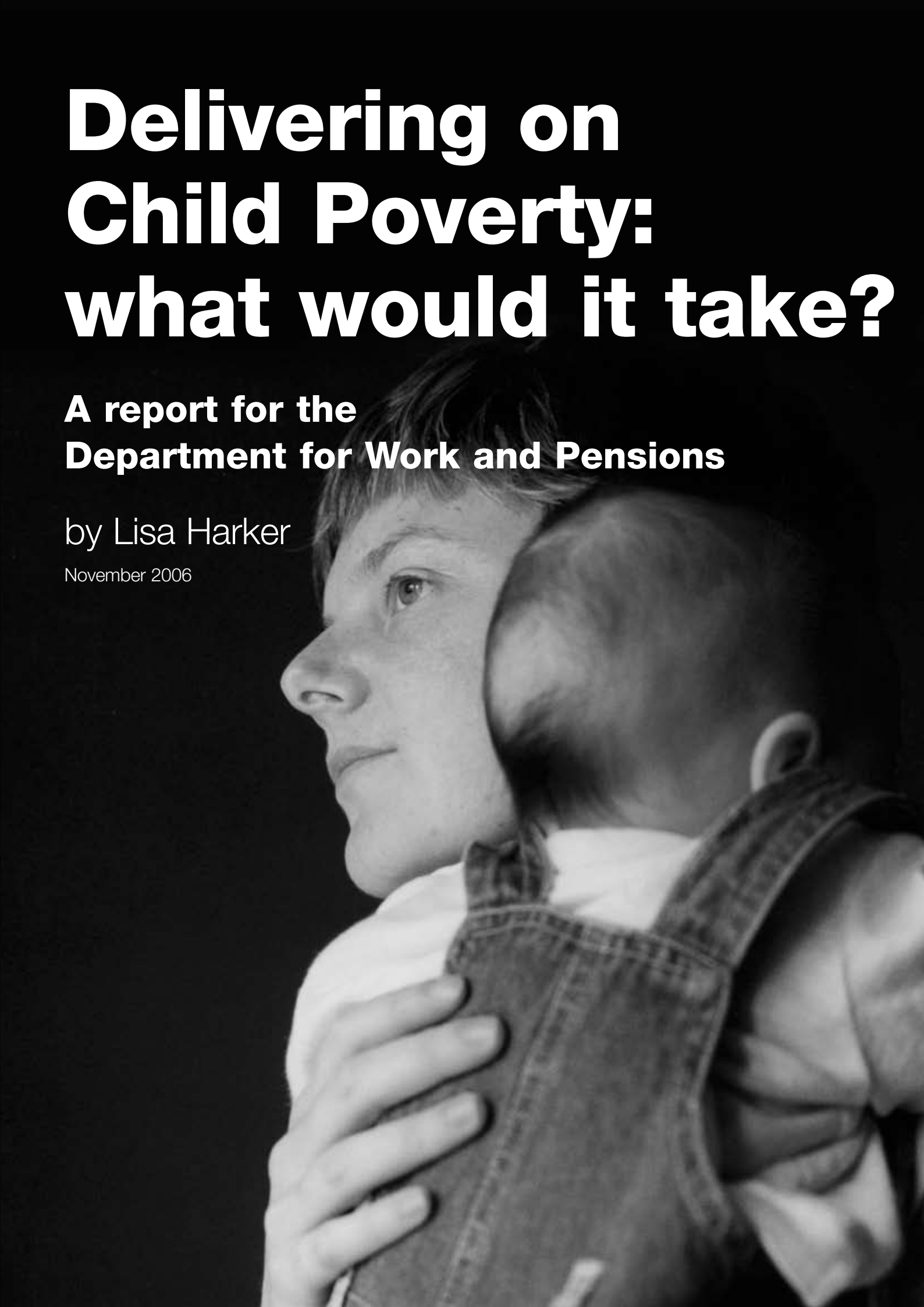
Delivering on Child Poverty: what would it take?

A report for the Department for Work and Pensions

by Lisa Harker

November 2006



Delivering on Child Poverty: what would it take?

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by Lisa Harker

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1. Background to the report

In June 2006, I was asked to provide some scrutiny and challenge to the Department for Work and Pensions' child poverty strategy and report to the Secretary of State with my recommendations by early October.

In the limited time available, it has not been possible to undertake a thorough review of the Department's strategy. However, in this report I am able to provide some guidance on:

- what it would take to reach the 2010 child poverty target and get on track for meeting the 2020 target;
- how much more can be achieved through Welfare to Work programmes and what contribution various reforms could make; and
- the gap that needs to be met by other policies.

The terms of reference limited the scope of this work to the areas of policy and service delivery that are within the remit of the Department for Work and Pensions. Although the Department is responsible for helping parents to participate in work – a key aspect of tackling child poverty – the Government's overall child poverty strategy cannot be viewed through the lens of a single department. As set out in the Government's 2004 Child Poverty Review, improving financial support for families, reforming public services to enhance children's life chances and supporting parents in their parenting role are also critical elements of this strategy. Nevertheless, for the purposes of this report, I have focused on the contribution of the Department for Work and Pensions to tackling child poverty.

I am very grateful to officials in the Department for Work and Pensions who have assisted me with my work.

The Government's commitment to eradicate child poverty represents one of the most important goals of our time. I hope that this report will provide a valuable contribution to the debate about how such a goal could be reached.

Lisa Harker

About the author

Lisa Harker is an independent policy adviser specialising in issues related to families, poverty and social exclusion. Until 2003, she was Deputy Director of the Institute for Public Policy Research and has previously worked for Save the Children, BBC News and Child Poverty Action Group. Lisa was chair of the childcare charity, Daycare Trust, from 2001 to 2006 and is a director of Aspire Oxfordshire, a social enterprise that provides employment opportunities for homeless people.

2. Executive summary

Despite being a wealthy nation, with a strong economy and the highest employment rate among the G8, the UK has comparatively high levels of child poverty. Around one in five children are living in relative poverty[1] – among the 25 European Union countries only Italy, Portugal and the Slovak Republic have higher levels. Changes during the 1980s, when the gap between rich and poor grew faster in the UK than almost any other industrialised country, are still reflected in the shape of our society today. Despite significant increases in support for families with children in recent years, income inequality remains high, driven by high levels of wage and wealth inequality. The benefits of our rich society – in the distribution of income and employment opportunities – are not evenly shared.

Against this backdrop, the Government has made significant progress on reducing child poverty. The number of children in poverty has fallen by 700,000 – a 23 per cent decline – since 1998/99. The UK's child poverty rate is now at a 15-year low. But despite this progress, the Government missed its interim target to reduce child poverty by a quarter between 1998/99 and 2004/05 and with current policies is unlikely to meet the 2010 target to halve child poverty.

The Department for Work and Pensions has played a key role in reducing child poverty to date, primarily through supporting individuals into employment. What began with a focus on tackling youth unemployment has now developed into support for a wide range of groups via a suite of Welfare to Work programmes. The benefits and employment agencies have been brought together into one system, Jobcentre Plus, with a strong focus on providing individuals with a personal adviser who can broker a package of support. There has been an emphasis on helping lone parents back to work, as the family group in which children are at most risk of poverty. And with unemployment levels falling, increasingly attention has turned to the 'inactive' – those out of work who are not registered as unemployed.

But to make further progress towards reaching the 2010 target, and ultimately eradicating child poverty by 2020, further reforms are required. Jobcentre Plus is the agency charged by the Government to reduce worklessness and this will remain its core focus. But to meet the child poverty targets, its Welfare to Work programmes need to be more attuned to the particular needs of parents. Beyond the New Deal for Lone Parents, parents participating in Welfare to Work programmes are not automatically

[1] Poverty is defined as living in a household with below 60 per cent median income before housing costs.

identified as parents and their family commitments not taken into account. In future, Welfare to Work support needs to take account of the increasing involvement of fathers in children's lives, the converging aspirations of men and women in the labour market and the juggling of work and family commitments which many parents negotiate daily.

This would represent the next step in the personalisation of Welfare to Work support, moving beyond categorising jobseekers according to their benefit entitlement (which channels individuals into separate programmes according to the benefits they are claiming) towards viewing jobseekers in the wider context of their family and building a flexible package of support to meet their particular needs. It would require both more consistency in the support offered to all parents, regardless of the Welfare to Work programme they participate in, and greater flexibility in the wider support available to jobseekers. Defining a 'core offer' of support for all parents – a New Deal for Parents – would be one way to start to deliver such an aspiration.

The nature of the support available for jobseekers also needs to change. Welfare to Work programmes have rightly adopted a 'work first' approach, given the strong evidence that gaining a job offers individuals better long-term prospects than simply acquiring training. But a work first approach is not sufficient to end child poverty, since nearly half of children in poverty now live in a family where someone is already in employment. To thrive in today's rapidly changing labour market, parents need guidance, support and skills to progress in work. A system which encourages parents to take any job rather than one that offers them good long-term prospects, or leads to parents 'cycling' between having a job and being out of work, is neither efficient nor effective in tackling child poverty.

What's more, many children in poverty live with parents who have no contact with Welfare to Work programmes – either because they are not participating in programmes or because they are in low-paid work. Helping single earners to progress in work, or supporting non-working partners of single earners (potential second earners) to move into work, will play a crucial part in the next stage of tackling child poverty.

This implies some changes to the way that Jobcentre Plus works – a clearer 'family' focus, more flexible packages of support and a wider 'customer' reach. This should not distract from the priorities already facing Jobcentre Plus but could contribute, for example, towards reaching an 80 per cent employment rate and supporting more Incapacity Benefit claimants into work. Such changes are also very much in keeping with other proposals to increase the level of local discretion, flexibility and degree of personalisation of Welfare to Work programmes. But the changes outlined in this report both deepen and widen the level of support that would be available and it may not be possible, or desirable, for Jobcentre Plus to fulfil all of these functions. Other agencies – including those in the private and voluntary sector – will have a role to play. But whatever the contribution of Jobcentre Plus, it is hard to escape the conclusion that change will be necessary if parental employment rates are to increase much beyond existing levels.

Such changes will not be sufficient on their own to enable the Government to reach its child poverty targets. The Government will need to provide adequate financial support for families as well as help to support parents into work. And the major drivers of poverty – such as high levels of wage and wealth inequality – remain considerable impediments towards reaching the 2020 child poverty target, suggesting that far greater changes to the distribution of wealth, earnings and opportunities in society will be necessary before child poverty is finally eradicated. But establishing a modern employment service, which is better attuned to the needs of parents and the demands of the labour market, would enable more parents to move into jobs that fit with their family commitments and help them to better progress in work – offering families the best chance of an effective and sustainable route out of poverty.

Table 1: Recommended action

TIMING	RECOMMENDATION	PAGE
Immediate steps	Modify management information systems to increase the child poverty focus:	
	• Introduce a 'front-end' marker on to Jobcentre Plus' labour market system to identify parents.	19
	• Ensure advisers are able to judge the wage level that would lift a family out of poverty.	40
	• Systematically record parents' childcare needs and preferences.	34
	Modify targets to ensure maximum impact on child poverty:	
	• Introduce a child points premium.	19
	• Reward sustained employment and progression in work.	40
	• Introduce a childcare target, reflecting the shared DfES/DWP PSA target.	34
	Implement measures to improve childcare support for parents.	34
	Where flexible working opportunities are available, ensure adverts for vacancies clearly state this.	35
	Increase the level of flexibility between Welfare to Work programmes, for example by ensuring that parents with health/disability problems are able to access condition management support, regardless of which programme they are on.	27
	Implement child support reforms at the earliest opportunity.	58
Imminent steps	Introduce a 'New Deal for Parents'.	19
Action after evaluation	Extend effective elements of New Deal Plus for Lone Parents.	23
	Consider extending eligibility for the Work-Related Activity Premium.	25
	Mainstream lessons from Partners' Outreach and City Strategy pilots.	30
	Widen eligibility for the Employment Retention and Advancement Programme.	42
Start piloting	Support for poor in-work families.	50
	New measures to help families living in London.	46
	Effective ways of encouraging work-related activity among parents via Children's Centres.	52
	Ways to broker flexible working opportunities with employers.	35
Need to develop	An integrated work/skills package that enhances individuals' chances of progressing in employment.	37
	A benefits uprating policy.	54
	Reforms to benefits – especially Housing Benefit – which will have an impact on child poverty.	57

3. The scale of the task

Where we are now and where we need to be

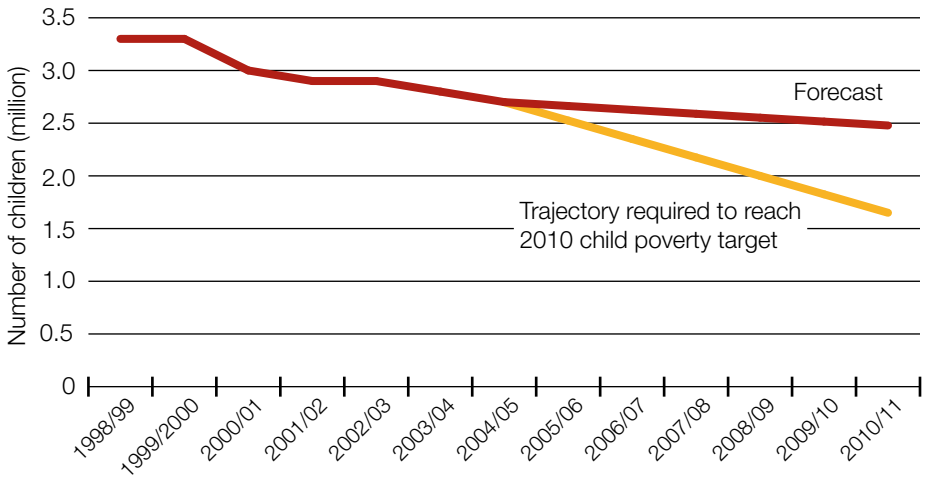
Child poverty has fallen substantially in recent years – some 700,000 children have been lifted out of poverty since 1998/99. Given that child poverty rates tripled during the 1980s and then remained persistently high during the 1990s, this sharp fall in child poverty has been a remarkable achievement. The child poverty rate is now at a 15-year low and the UK no longer has the highest child poverty rate in the European Union.

Nevertheless, the progress has not been sufficient to reach the Government's target to reduce child poverty by a quarter between 1998/99 and 2004/05 – a crucial milestone in the Government's efforts to eradicate child poverty within a generation. The failure to meet this target also makes the task of reaching the next milestone – a 50 per cent reduction by 2010 – more difficult.

A further 1.1 million children need to be lifted out of poverty between 2004/05 and 2010/11 in order to meet the 2010 target.[2] However, projections suggest that, if no further action is taken on policy, the child poverty rate is unlikely to fall significantly. Simply sustaining the progress so far will be challenging. Child poverty is measured in relative terms; it is defined in relation to median income which changes over time. The number of children in poverty could rise by up to 100,000 per year as a result of median income growth between now and 2010, so in practice the number needed to be lifted out of poverty may be higher than 1.1 million.

[2] The PSA target is to halve the number of children in relative low-income households between 1998/99 and 2010/11. There were 3.4 million children in poverty in 1998/99; the target for 2010 is 1.7 million. Relative low-income households are defined as those with income below 60 per cent of contemporary equivalised median income before housing costs. The Government has also set a target (although not a PSA target) of there being fewer than 1 million children living in absolute low income by 2010/11. In addition, the Government has made a commitment to set an additional target to halve the number of children suffering a combination of material deprivation and relative low income (at 70 per cent of median income before housing costs) – to provide a wider measure of children's living standards.

Graph 1: Number of children in poverty: trend and forecast



Source: Chung R et al, 2006, *Family Resources Survey 2004/05*, Office for National Statistics.

Note: Poverty is defined as living in a household with income below 60 per cent of the median after housing costs. The forecast is based on the Department for Work and Pensions' simulation model. It includes take-up modelling.

What would it take to get there?

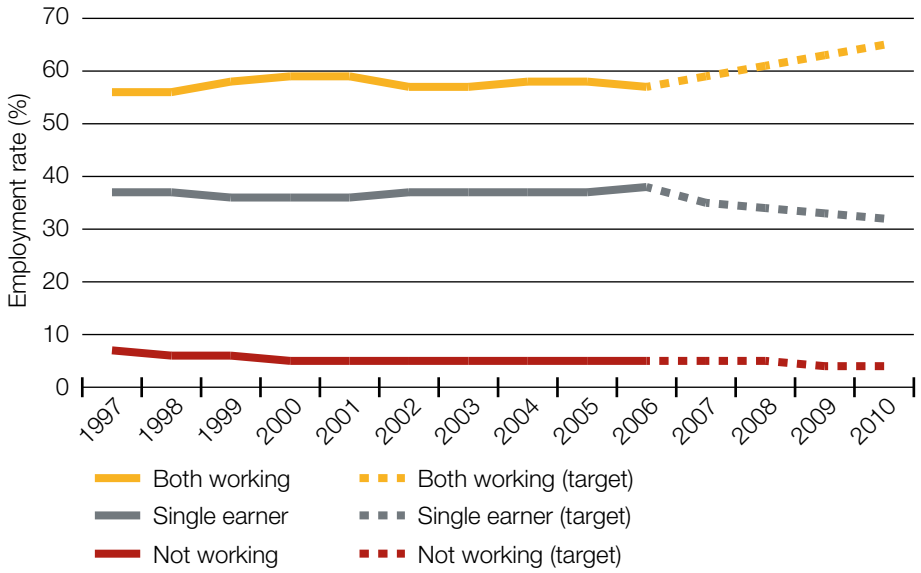
Work undertaken for the Joseph Rowntree Foundation[3] has estimated that the 2010 target could be met if a further £4.3 billion per annum was invested in benefits and tax credits. While this has revealed the scale of the task, there is wide recognition that relying solely on benefit/tax credit increases to reduce child poverty would be undesirable since, for many families, an income through paid employment offers a more effective and sustainable route out of poverty.

[3] Hirsch D, 2006, *What would it take to end child poverty? Firing on all cylinders*, Joseph Rowntree Foundation.

At the same time, the 2010 and 2020 targets cannot be met by increases in employment alone. For example, if we relied solely on employment to halve the number of children in lone-parent families living in poverty, we would need to reach a lone-parent employment rate of around 86 per cent by 2010[4] (which would require the UK to leap from having one of the lowest to one of the highest lone-parent employment rates in Europe).

Even if the current 70 per cent lone-parent employment target was reached by 2010, the percentage of dual-earner couple families would need to rise from 57 per cent to 65 per cent and couple unemployment would need to fall from 5 per cent to 4 per cent if the 2010 target is to be met.[5] Although such changes in employment rates appear small, they would represent a dramatic shift in recent trends (see graph below) and assume that all the increase in the couple employment rate benefits poor couples. In other words, it would require a 20 per cent increase in the employment rate of poor couples with children and one or no earner in just four years.

Graph 2: Changes in employment rates for couples with children required to meet the 2010 child poverty target



Source: *Labour Force Survey January–March 2006* (SN 5369), Office for National Statistics.

Note: This graph illustrates the scale of change required to reach the 2010 child poverty target if the strategy relies solely on increases in employment. It assumes a 70 per cent lone-parent employment rate by 2010.

[4] This is an estimate: 1.1 million children need to be lifted out of poverty by 2010. Thirty-nine per cent of poor children currently live in one-parent families, so at least 429,000 children in lone-parent families need to be lifted out of poverty. If this was achieved solely through entries into work, it would require a 29 percentage point rise in the lone-parent employment rate – each 1 per cent rise is equivalent to lifting approximately 15,000 children out of poverty.

[5] These are rough estimates – we can only estimate the child poverty impact of increasing the number of dual-earner couples.

It is therefore obvious that a combination of a higher employment rate and enhanced benefit/tax credit support will be necessary. The key question is therefore: what balance of employment support and benefit/tax credit support would maximise the chances of meeting the 2010 and 2020 targets?

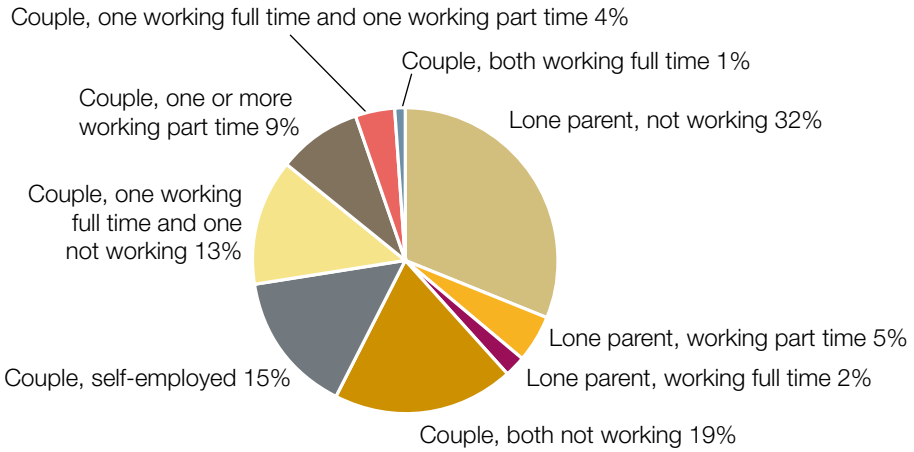
The contribution that employment has made to reducing poverty since 1997 has decreased over time. Indeed, while substantial gains in employment were seen between 1997 and 2001, since 2001 most of the fall in child poverty can be attributed to increases in tax credits.[6] Continuing with current Welfare to Work policy is, therefore, very unlikely to achieve a significant reduction in child poverty by 2010 or 2020.

The Government has made considerable progress in supporting parents into work – there has been an 11.3 per cent increase in lone-parent employment since 1997, for example. Progress may have recently slowed: the spring 2006 lone-parent employment rate is unchanged on spring 2005 and the partnered mothers' employment rate fell over the same period. Nevertheless, there are strong grounds for believing that parental employment rates could rise further. The UK has a high proportion of children living in workless households (15.3 per cent). There remains a 15 percentage point difference in the lone-parent and partnered mother employment rates. The UK has low lone-parent labour market participation and low proportions working full time compared with European Union counterparts. And the employment patterns for two-parent families also suggest room for change – while 69 per cent of all couple families where someone is in work are dual earning, only 24 per cent of poor couples where someone is in work are dual earners.[7]

[6] Brewer M, Goodman A, Shaw J and Sibieta L, 2006, *Poverty and inequality in Britain*, Institute for Fiscal Studies.

[7] Chung R et al, 2006, *Family Resources Survey 2004/05*, Office for National Statistics.

Chart 1: Who's poor?: child poverty by family type and economic status



Source: Department for Work and Pensions, 2006, *Households Below Average Income 1994/5–2004/05*, Corporate Document Services.

What needs to change?

To increase parental employment rates, the Department for Work and Pensions would need to:

- align the package of support that parents get across Department for Work and Pensions programmes;
- maximise the chances of every parent currently supported via Welfare to Work programmes to find employment (see pages 16 to 21);
- improve the package of support that parents get – to increase the effectiveness of the support provided to parents and meet the needs of particular groups (see pages 22 to 46);
- extend support both to those not currently participating in Welfare to Work programmes and to the in-work poor, to reach the 48 per cent of children in poverty who are living in a household where someone is already in work (see pages 47 to 52); and
- consider the contribution of other policies to reducing child poverty (see pages 53 to 58).

4. A New Deal for Parents

Aligning support for parents

The New Deal for Lone Parents has been successful at helping lone parents into work[8] partly because the support it offers has, by definition, taken into account both individuals' job-seeking and parenting needs.

However, other jobseekers do not, as a matter of course, have their parenting responsibilities taken into account when they take part in Welfare to Work programmes. Parents on other New Deals are not automatically offered help with finding childcare or a job that fits with their caring commitments.[9] This is despite the fact that, given the decline in one-earner households, most parents now have to adapt their working patterns because of family commitments.

Furthermore, Jobcentre Plus does not routinely record whether a jobseeker has parenting responsibilities and its target structure does not reflect the Department's ambition to reduce child poverty by helping parents in both one- and two-parent families into work.

Aligning support for lone and couple parents would ensure that Welfare to Work support is better tailored to meet all parents' needs. There are 2.7 million children living in families who are in receipt of unemployment, low income or disability benefits,[10] the vast majority of whom will be living in poverty and all of whom are children of 'customers' of the Department for Work and Pensions (although only a minority are participating in New Deals – see page 51).

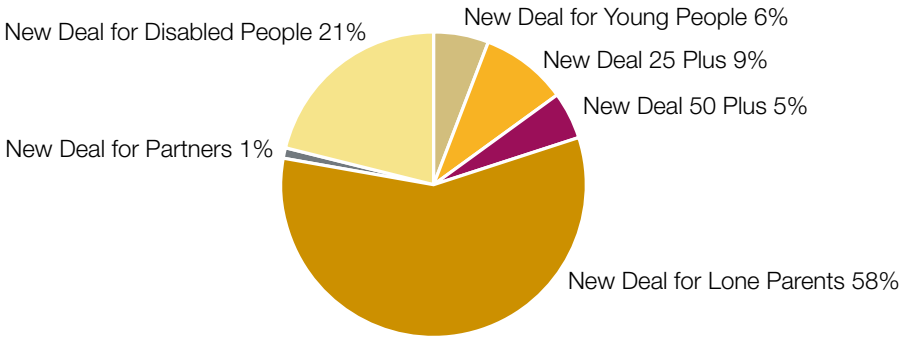
Many parents on existing New Deal programmes are not identified as such. Only 58 per cent of parents on New Deal programmes have access to the New Deal for Lone Parents. Of the remaining 42 per cent, half are on the New Deal for Disabled People.

[8] Some 450,000 lone parents moved into work between October 1998 and February 2006.

[9] One survey found that childcare was cited as a barrier to work by around 5 per cent of participants on the New Deal for Disabled People (Department for Work and Pensions Research Report No. 369) but we do not know whether this is an accurate reflection of need because this information is not collected routinely.

[10] This includes Income Support, Jobseeker's Allowance, Incapacity Benefit, Disability Living Allowance and Severe Disablement Allowance.

Chart 2: Parents on New Deal programmes



Source: DWP tabulation tool, February 2006, and author's estimates derived from benefit and survey data.

Welfare to Work support should become more attuned to the needs of both couple and lone-parent families because:

- the employment patterns of lone parents and couples with children both need to change substantially if child poverty is to fall;
- 40 per cent of children in poverty are living in couple families where someone is working – so parents in couples are moving from welfare to work but not escaping poverty;
- understanding the barriers to work that parents face is hampered by the fact that they are not viewed as parents when they participate in most Welfare to Work programmes; and
- a modern welfare to work system should mirror the society we have – in which fathers are increasingly involved in children's day-to-day lives and where parents make decisions about their working patterns as a family.

Parents seeking employment do not have identical needs – the support they receive will always need to be tailored to their particular circumstances. But parents do share some common requirements: a job that enables them to balance their work and caring responsibilities, access to childcare (if appropriate) and a sufficient income to lift their family out of poverty.

To have the best chance of both increasing parental employment and tackling child poverty, all jobseekers who are parents should have their family responsibilities taken into account when they are offered support with finding and securing employment. Any parent who is receiving support on Welfare to Work programmes should be offered:

- personal adviser support with preparation for work and job search – alongside a flexible menu of support to cater for individual needs pre- and (in some cases) post-employment;
- help with securing appropriate childcare (see page 31); and
- support with finding employment that enables parents to balance their work and family commitments (see page 35).

This should be available to all parents, including all couple parents who are participating in New Deals/Pathways to Work,[11] all partners of benefit recipients – who should be encouraged to participate in New Deal programmes – and, ultimately, in-work poor couples if access to support is widened to include potential second earners in low-income families (see page 47).

The ultimate vision would be of an integrated service that is responsive to the needs of individuals. It would require a combination of a more uniform approach in terms of the core support that parents receive, together with greater flexibility in the menu of support available for all jobseekers.

If advisers were to adopt a 'family focus', they would be better placed to help jobseekers overcome barriers to work resulting from family commitments and to encourage partners of benefit claimants to participate in New Deal programmes.[12] By viewing jobseekers' needs in the context of their family, advisers would be able to support both jobseeker and his or her partner, with no presumption about who should go into work first. This would help to encourage each member of a couple to achieve his or her potential and enhance individual autonomy and life chances for women and men.

Establishing a family focus for Jobcentre Plus would require something of a culture shift that would need to be reinforced by appropriate targets and management information. It would not have to consist of a separate programme – rather a minimum entitlement of support for all parents. It would require the support on offer to parents to be strengthened, and recommendations about how to do this are set out in the remainder of this report. Such changes require additional spend but it may also be possible to make more effective use of existing resources.

[11] Where delivery of Pathways to Work is being contracted out to the private and voluntary sector, contracts are not specifying how support should be delivered. However there will be a need to ensure that providers are aware of the value of having a family focus.

[12] Currently partners of benefit claimants are able to participate in the New Deal for Partners – a voluntary employment programme that was launched in April 1999. Eligibility for the programme covers non-working (or part-time working) partners of Jobseeker's Allowance, Income Support, Incapacity Benefit, Severe Disablement Allowance, Carer's Allowance, Working Tax Credit and Pension Credit claimants. The programme has failed to attract many participants.

A parent package (New Deal for Parents) would be attractive and easy to communicate to parents. It would offer support to both fathers and mothers – reflecting the fact that in today's society there is a more equal sharing of parenting responsibilities.

Recommendations

1. **Jobcentre Plus should introduce a 'front-end marker' on to its labour market system to enable staff to identify parents in all its programmes at the earliest opportunity.**
2. **Jobcentre Plus' target structure should reflect the Department's commitment to tackling child poverty by having an additional 'child points premium' which offers extra points for outcomes for those with children irrespective of the main client group to which they belong.**
3. **All parents on Welfare to Work programmes should be eligible for a core package of support: a New Deal for Parents.**

Table 2: Support offered under various New Deal programmes

NEW DEAL PLUS FOR LONE PARENTS – PILOT	NEW DEAL FOR LONE PARENTS and NEW DEAL FOR PARTNERS – NATIONAL	NEW DEAL FOR YOUNG PEOPLE and NEW DEAL 25 PLUS – NATIONAL	NEW DEAL FOR DISABLED PEOPLE – NATIONAL
Personal Adviser	Personal Adviser	Personal Adviser	Most customers are recruited directly by providers, but where they are referred by Jobcentre Plus this will be via Disability Employment Advisers or Incapacity Benefit Personal Adviser interviews
Job-search support	Job-search support	Job-search support/ careers advice	Job-search support
Access to debt advice	Access to debt advice	Access to debt advice	Access to debt advice
Mentoring prior to entry onto New Deal Plus for Lone Parents	Mentoring prior to entry onto New Deal for Lone Parents and New Deal for Partners	Mentoring	Support will vary from provider to provider. Some offer travel and childcare help, but this is not part of the programme requirement
Training support (including training premium, childcare, travel costs and equipment)	Training support (including training premium, childcare, travel costs and equipment)	Training support (including training premium, childcare, travel costs and equipment)	Job Grant
Job Grant	Job Grant	Job Grant	Adviser Discretion Fund (up to £100)
Adviser Discretion Fund (up to £100)	Adviser Discretion Fund (up to £100)	Adviser Discretion Fund (up to £100)	Work Trials
Work Trials	Work Trials	Work Trials	Access to self-employment within other provision, if customer is eligible
Childcare Assist	Childcare Assist	Option tasters	In-Work Support
Childcare Subsidy	Childcare Subsidy	Job-subsidy voucher	Basic skills screening
Self-employment	Self-employment	Self-employment	Some providers arrange work placements

Table 2: Support offered under various New Deal programmes *(continued)*

NEW DEAL PLUS FOR LONE PARENTS – PILOT	NEW DEAL FOR LONE PARENTS and NEW DEAL FOR PARTNERS – NATIONAL	NEW DEAL FOR YOUNG PEOPLE and NEW DEAL 25 PLUS – NATIONAL	NEW DEAL FOR DISABLED PEOPLE – NATIONAL
Discovery events	In-Work Support	Specialist help – drugs/ alcohol/homeless	Access to programme centres
Work Search Premium	Basic skills screening and assessment (available only in New Deal)	Basic skills screening and assessment (available only in New Deal)	–
In-Work Credit	Access to New Deal 25 Plus and New Deal for Young People training provision	Work placements/work experience	–
Better-off calculations	Better-off calculations	Better-off calculations	–
Access to programme centres	Access to programme centres	Access to programme centres	–
In-Work Emergencies Fund	Education and training opportunities	Key skills – motivation, confidence building, communication, team building, etc	–
Enhanced Training for Lone Parent Advisers	–	Education and training opportunities	–
Access to flexible provision	–	–	–
In-Work Support	–	–	–
Jobpoints in Children's Centres	–	–	–
Marketing package	–	–	–
Basic skills screening and assessment (available only in New Deal)	–	–	–
Access to New Deal 25 Plus and New Deal for Young People training provision	–	–	–
Education and training opportunities	–	–	–

Lone parents

We know that the package of support for lone parents will need to be strengthened if their employment rate is to rise significantly. Current projections suggest that the lone parent employment rate will reach 64 per cent by 2010. Further welfare reform proposals may enable the Government to reach a lone parent employment rate of around 66 per cent – but this is still short of the 70 per cent target. It would also require a step-change in current trends – the lone parent employment rate would need to rise three times as fast in the next five years as it did in the last five if the 70 per cent target is to be met.

The Department is currently piloting an enhanced, integrated package of support for lone parents in five areas in England (with two further pilots in Scotland and Wales due to begin in October 2006). This package combines an advance payment for job search (Work Search Premium), some help with childcare, a guaranteed clear gain from work (via the In-Work Credit and tax credits) and support in work (from the In-Work Emergencies Fund and In-Work Support).

Further roll-out of this integrated package of support needs to be informed by evidence of its impact; evaluation of the programme's impact will not be published until December 2006. The evaluation will indicate whether the programme as a whole is more effective than the sum of its parts. Nevertheless, the emerging qualitative evidence suggests some elements of the package (for example, In-Work Credit) may be working better than others (for example, childcare support).

If the New Deal Plus for Lone Parents was expanded from 10 per cent of lone parents on Income Support to all lone parents, we would expect the lone parent employment rate to rise by 2–3 per cent.[13] While this would be an important step forward – and could lift up to 40,000 children out of poverty – it would clearly fall short of meeting the 70 per cent employment target. Other measures to strengthen support for parents looking for work and to enhance retention and progression – as discussed elsewhere in this report – will be necessary.

Recommendation

4. **On the basis of evaluation evidence, the effective elements of the New Deal Plus for Lone Parents should be rolled out nationally.**

Rights and responsibilities

If a stronger package of support for lone parents was in place and lone parents genuinely had access to affordable childcare and work that fits with their family commitments, there would be grounds for extending conditionality. The UK is out of step with many other countries in having relatively weak conditionality in their system for lone parents. Strengthening lone parents' responsibility to prepare for a return to work would be a logical next step.

The Department has already signalled that it will introduce six-monthly (rather than annual) work-focused interviews for lone parents who have been on benefit for at least a year and whose youngest child is aged below 11, and quarterly work-focused interviews for lone parents whose youngest child is aged 11 or over. But beyond this, any further extension of work-focused interviews may prove ineffectual. Nevertheless, given that less than one in five join the New Deal for Lone Parents following a work-focused interview,[14] more attention does need to be paid to addressing the reasons for non-participation.[15]

[13] Gregg P, Harkness S and Macmillan L, 2006, *Welfare to work policies and child poverty: a review of issues relating to the labour market and economy*, Joseph Rowntree Foundation – they estimated a 2 per cent increase.

[14] Lessof et al, 2003, *New Deal for Lone Parents evaluation: findings from the quantitative survey* p 97, Department for Work and Pensions Research Report No. 147.

[15] The Department is currently conducting research into the reasons for non-participation in the New Deal for Lone Parents. It has identified several reasons including lack of awareness, attitudes towards parenting and childcare, financial concerns and, in some cases, the lack of an explicit invitation to participate in the programme.

However, stronger forms of conditionality – along the lines already expected for Jobseeker's Allowance claimants – could undermine the success of the New Deal for Lone Parents which has been built on the basis of positive, supportive engagement with parents. There would also be resistance to such a proposal, particularly in light of the reassurances made in the welfare reform Green Paper.

An alternative approach, and one that would not require a leap from 'soft' conditionality under the work-focused interview approach (which requires lone parents to come to quarterly/six-monthly meetings to discuss returning to work) to 'hard' conditionality under the Jobseeker's Allowance system (which requires claimants to 'sign on' fortnightly and demonstrate that they are looking for work), would be to look at ways of encouraging work-related activity and job preparation. This is effectively being explored under the Work-Related Activity Premium pilots (see page 55).

This premium will consist of a £20 addition to Income Support for lone parents who have been out of work for at least six months, have a child aged 11 years or older and are undertaking work-related activity (which may include training, taking steps to sort out a debt or managing a health condition, for example). It will be available on an opt-out basis – lone parents will be eligible for the additional payment unless they specifically decline to prepare for a return to the labour market by undertaking work-related activities. The premium potentially offers a way to incentivise efforts to prepare for a return to work without penalising those who are not ready to take a job. The pilots will determine the impact of offering a payment

on an opt-out basis. On the basis of this evidence the Department should then look at whether a payment of this sort should be rolled out nationally – either on a voluntary or mandatory basis – to all lone parents with school-age children.

Whatever the next steps, there would be a need to ensure that suitable, affordable childcare was available before any extension of conditionality. By 2010, under the ten-year childcare strategy, some out-of-school childcare will be offered by all schools between 8am and 6pm but the nature and quantity of the out-of-school care will be determined by schools and will not necessarily meet demand. From 2008 local authorities will have a statutory duty to secure sufficient childcare for working parents. One way of making that duty 'real' would be to link any conditionality for parents to it. In other words, if parents were able to show that out-of-school provision in their area was not suitable for their needs, they would not be penalised for failing to take up employment.

Recommendations

5. **On the basis of evaluation evidence, consideration should be given to extending eligibility for the Work-Related Activity Premium to all lone parents of school-age children on a voluntary or mandatory basis.**
6. **Any further extension of conditionality should be linked with fulfilment of the forthcoming local authority childcare duty to secure sufficient childcare for working parents.**

Parents with disabilities

One in three children in poverty – between 700,000 and 850,000 – has a parent with a self-reported disability or long-standing health condition.[16] But because Welfare to Work programmes are primarily built around benefit entitlement, parents with disabilities can miss out on receiving appropriate support. Only around 200,000 children in poverty whose parent has a disability or long-standing health condition will have a parent eligible for Pathways to Work.[17] It seems substantial numbers of parents of children in poverty currently receive inadequate support for managing their disability/health conditions and this could be a major barrier to entering work.

Many of these parents are in couple families. But there are also 264,000 lone parents who are not working and have a self-reported, long-standing health condition.[18] Survey evidence seems to suggest that very few have accessed the Pathways to Work pilot – most are directed to New Deal for Lone Parents where they will receive little help with managing their health/disability.

[16] Lyon N, Barnes M and Sweiry D, 2006, *Families with children in Britain: Findings from the 2004 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No. 340, Corporate Document Services.

[17] By December 2006, 40 per cent of new and repeat Incapacity Benefit claimants will have access to Pathways to Work – all Incapacity Benefit claimants will be eligible from April 2008.

[18] Labour Force Survey.

From October 2007, private and voluntary sector providers will deliver Pathways to Work for 60 per cent of Incapacity Benefit claimants. Contracts with providers will reward outcomes rather than dictating process, but it will be important for the contracts to incentivise efforts to tackle child poverty.

But given the number of parents with a health condition/disability who are not eligible for Pathways to Work, it will also be necessary to widen access to help. This could be achieved by extending eligibility for Pathways to Work or by introducing some condition management support within the New Deal for Lone Parents. This would help to increase lone parent employment and therefore reduce child poverty. For example, if all lone parents with a disability (as defined under the Disability Discrimination Act) and 20 per cent of lone parents with a work-limiting health condition participated in the Pathways to Work programme, an estimated 7,600 lone parents would move into work over and above those expected to anyway – which would increase the overall lone parent employment rate by nearly 0.5 per cent.

Recommendation

7. **The Department for Work and Pensions should widen access to help for parents with health conditions and disabilities.**

Ethnic minority families

Reaching the child poverty targets requires particular efforts to reduce the level of poverty among certain ethnic minority groups. One in five children in poverty are from ethnic minority communities and rates of poverty among Black African, Pakistani and Bangladeshi children are now more than double the rate among white children.[19]

The high rate of child poverty among ethnic minority families is closely linked to labour market disadvantage. Much higher than average unemployment rates continue to be seen among some ethnic minority groups; this will become even more significant to overall child poverty rates as ethnic minorities are projected to account for half the growth in the working-age population up to 2011.

The ethnic minority employment gap is too often dismissed as resulting from 'cultural' differences when there is clear evidence of the significant barriers that ethnic minority groups face in entering and progressing in work. For example, a recent report from the Equal Opportunities Commission found that the potential contribution of Pakistani, Bangladeshi and Black Caribbean women to the labour market was not being realised because of structural barriers and discriminatory attitudes. It is these factors – rather than the attitudes of the women themselves – that is driving high unemployment, lower pay, poor prospects and labour market ethnic minority and gender segregation.[20] Some of this will be for the Department to resolve but in the context of a wider cross-government effort to tackle discrimination and champion equality, diversity and human rights.

Many of the issues highlighted in this report – such as the need to improve skills, extend access to childcare and strengthen efforts to improve retention and advancement in work – have particular relevance for families from ethnic minorities. The Government has established the Ethnic Minority Employment Task Force to tackle the main factors in ethnic minority employment disadvantage. Initiatives such as Fair Cities, Ethnic Minority Outreach, Partners' Outreach and the new City Strategy pilots aim to close the ethnic minority employment gap.

But the evidence about the nature of child poverty in ethnic minority families suggests that mainstream employment programmes (including New Deals and Pathways to Work) also need to be more attuned to the needs of ethnic minorities, and the lessons from various initiatives used to inform them.

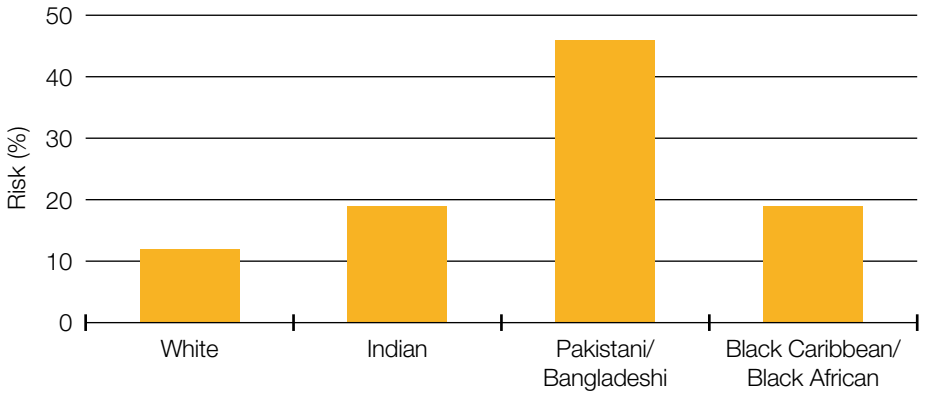
[19] *Households Below Average Income* statistics, and analysis by Platt L, 2006, *Ethnicity and child poverty*, research for the Ethnic Minority Employment Task Force, www.emetaskforce.gov.uk

[20] Equal Opportunities Commission, 2006, *Moving on up? Bangladeshi, Pakistani and Black Caribbean women and work: early findings from the Equal Opportunities Commission's investigation in England*.

Research recently commissioned by the Department for Work and Pensions has shown that:[21]

- Measures to tackle poverty among lone-parent families benefit Black Caribbean and Black African children in poverty, more than two-thirds (69 per cent) of whom are living in lone-parent families. But there are twice as many children in poverty living in Bangladeshi/Pakistani families, only 14 per cent of whom are living in lone-parent families.
- Measures to tackle in-work poverty need to address the particularly high risk of low pay among Pakistani and Bangladeshi families – nearly half of children in Pakistani and Bangladeshi families reliant on a single full-time earner are in poverty compared to just 12 per cent of children in white families. The particularly low levels of pay found among Bangladeshi men is likely to explain this heightened risk.

Graph 3: Risk of poverty among children in couple families with at least one full-time worker



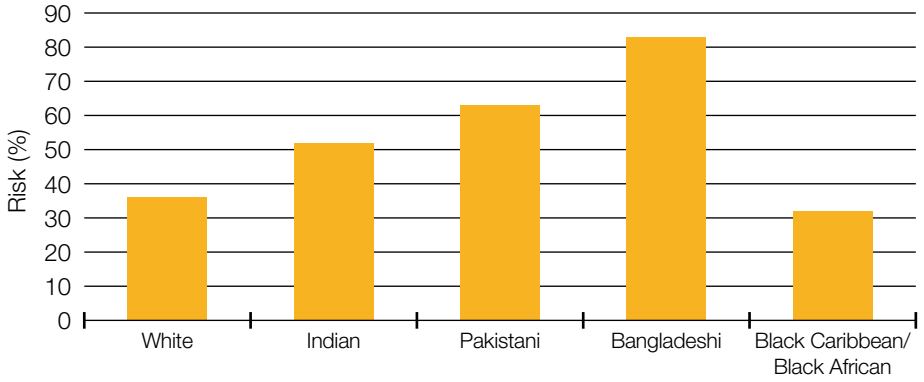
Source: Platt L, 2006, *Ethnicity and child poverty*, research for the Ethnic Minority Employment Task Force, www.emetaskforce.gov.uk. Data derived from *Households Below Average Income* statistics

Notes: Figures have been calculated from three-year rolling averages for 2002/03, 2003/04 and 2004/05 and relate to the whole of Great Britain. Ethnic group is measured on the basis of the household reference person.

[21] Platt L, 2006, *Ethnicity and child poverty*, research for the Ethnic Minority Employment Task Force, www.emetaskforce.gov.uk

- Measures to reduce worklessness among disabled people need to support Pakistani/Bangladeshi families. Children living in such families where there is a disabled adult face a very high risk of poverty – 83 per cent in the case of Bangladeshi children – compared to 36 per cent of white children in similar circumstances. It is not clear why Pakistani/Bangladeshi children face such a heightened risk of poverty if they have a parent with a disability, or whether planned programmes will make a difference. (Only 1.3 per cent of participants on the New Deal for Disabled People are Pakistani/Bangladeshi.)

Graph 4: Risk of poverty among children in households with one or more disabled adults



Source: Platt L, 2006, *Ethnicity and child poverty*, research for the Ethnic Minority Employment Task Force, www.emetaskforce.gov.uk. Data derived from *Households Below Average Income* statistics

Notes: Figures have been calculated from three-year rolling averages for 2002/03, 2003/04 and 2004/05 and relate to the whole of Great Britain. Ethnic group is measured on the basis of the household reference person.

Recommendations

8. **The Department for Work and Pensions should mainstream lessons from its pilot programmes aimed at reducing worklessness among ethnic minority households into national Welfare to Work programmes.**
9. **The Pathways to Work programme should monitor its effectiveness in reducing levels of worklessness/child poverty among Pakistani/Bangladeshi households where there is a disabled adult.**
10. **Future steps to extend support to in-work poor families should take account of the higher levels of in-work poverty among ethnic minority households.**

Childcare

A lack of suitable, affordable childcare is frequently cited by parents as a barrier to entering work. One in seven lone parents who are not working more than 16 hours a week cites unaffordable childcare as a barrier to employment,[22] for example. The lack of appropriate, affordable childcare is also a barrier to work for partners of benefit claimants who have children[23] and partners of single earners, and while some cite a preference not to work because of family responsibilities there are a significant proportion who say they would like to.[24]

The number of childcare places has nearly doubled since 1997. The situation should continue to improve in coming years: by 2010 under the ten-year childcare strategy, there will be 15 hours a week of free early learning and care for 3 and 4-year-olds, 3,500 Children's Centres and out-of-school childcare offered by all schools between 8am and 6pm all year round.

Nevertheless significant challenges remain in matching supply and demand and especially in meeting the childcare needs of low-income families. It is by no means clear that the ten-year childcare strategy will automatically deliver the kinds of changes necessary to meet the childcare needs of families in poverty, particularly the needs of certain groups such as children with disabilities. It also remains the case that a significant proportion of families are sceptical about using formal childcare. Initiatives that have attempted to encourage more low-income families to take up formal childcare have yet to deliver expected results.[25]

From 2008, local authorities will have a statutory duty to secure sufficient childcare for working parents and all local authorities are reviewing the level of demand for childcare in their areas, largely via survey work. Jobcentre Plus, as the principal agency working with job-seeking parents, ought to hold good intelligence about parents' childcare needs, views and preferences in order to inform the development of childcare locally. But Jobcentre Plus has not exploited this potential monitoring role.[26] Personal Advisers do not actively encourage parents to take up formal childcare (there is no performance indicator that measures the take-up of formal childcare), despite the fact that the Department for Work and Pensions shares a Public Service Agreement target with the Department for Education and Skills to increase the take-up of formal childcare by lower income working families by 50 per cent (take-up currently stands at 26 per cent).

[22] Lyon N, Barnes M and Sweiry D, 2006, *Families with children in Britain: Findings from the 2004 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No. 340, Corporate Document Services.

[23] Arrowsmith A, 2004, *A review of what we know about partners of benefit recipients*, Department for Work and Pensions.

[24] Lyon N, Barnes M and Sweiry D, 2006, *Families with children in Britain: Findings from the 2004 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No. 340, Corporate Document Services.

[25] Early and emerging evidence from the Extended Schools pilot seems to confirm this.

[26] From 2007/08, Jobcentre Plus will collect information, for new claims only, on whether a customer has declared barriers to work because of childcare needs.

Jobcentre Plus' role in relation to childcare is currently limited:

- There are only 60 childcare partnership managers – one for each district – responsible for improving access to childcare information and building links with Children's Centres. They are tasked with improving the awareness of formal childcare and the local childcare market within their district (including local opportunities to train/work in childcare), working with the local authority and other strategic partners and undertaking analysis of the gaps between childcare supply and demand.
- Parents are not routinely offered information about accessing childcare. There is no internal performance management indicator on childcare and therefore no means of systematically assessing the level and nature of demand for childcare services, or evaluating the help provided by Jobcentre Plus.
- Levels of take-up of financial support for childcare via Jobcentre Plus are very low.[27] All participants on the New Deal for Lone Parents and New Deal for Partners are entitled to Childcare Assist. This pays for childcare in the week immediately before a parent takes up a job. Only £56,000 was spent in 2005/06 which suggests few parents are claiming this support.[28] Evaluation evidence suggests that parents do not find Childcare Assist helpful either because they do not want to be apart from their children the week before they start a job or because they tend to start employment at short notice.
- In addition, all participants on the New Deal for Lone Parents and the New Deal for Partners are entitled to Childcare Subsidy.[29] Only £243,000 was spent on this in 2005/06, suggesting that only around 200 parents claimed (0.3 per cent). Lone parents may also receive help with upfront childcare costs – maximum £300 per week at the adviser's discretion – but we do not know how often this subsidy is given.
- Beyond the New Deal for Lone Parents, childcare support for parents is limited. Parents on the New Deal for Young People and the New Deal 25 Plus may receive assistance with childcare costs if childcare responsibilities are preventing them from participating in Jobcentre Plus contracted provision (but not those on the employment option because they are receiving a wage). There is no childcare funding offered to parents on the New Deal for Disabled People.

[27] Take-up of childcare costs for training/attending interviews is higher. £1.2 million was spent in 2005/06.

[28] Given average weekly childcare costs of £23 per week (source: *Childcare and Early Years Provision: A study of parents' use, views and experience*, Department for Education and Skills, 2006) this suggests few parents are claiming – around 2,400 (about 4 per cent of participants) at most.

[29] This pays childcare costs up to a maximum of £67.50 per week (£100 per week for two children) for up to 52 weeks, if agreed with the adviser and the customer is moving into part-time work.

Enhancing the role of Jobcentre Plus in gathering intelligence about parents' childcare needs, views and preferences will be essential if the ten-year childcare strategy is to respond to the needs of low-income families. Jobcentre Plus is in the unique position of having regular contact with job-seeking parents – its data will inevitably be more up-to-date than annual surveys undertaken by local authorities. But Jobcentre Plus also needs to play a bigger role in promoting the value of high-quality early years' services for children's development. The take-up of nursery education and care for 3 and 4-year-olds is lower among poor families, yet it is children in these families who stand to gain most from such provision.[30] By offering job-seeking parents childcare chats and tasters, Jobcentre Plus could help to ensure that the benefits of good quality early years' provision are universally shared.

[30] Sylva K, Melhuish E, Sammons P, Siraj-Blatchford I, Taggart B, 2004, *The Effective Provision of Pre-School Education Project: Final Report*, Department for Education and Skills.

Recommendations

11. All parents (mothers and fathers) on Welfare to Work programmes should be:
    - asked about their childcare needs and the information recorded for management purposes;
    - offered help with securing childcare by providing information or being given an appointment with the local Childcare Information Service;
    - offered a childcare visit/taster and advice on how to meet childcare costs when they move into work if they have not used formal childcare; and
    - offered childcare costs at the adviser's discretion for those needing to attend training/interviews.
12. The Department for Work and Pensions should review the level and nature of its subsidy support (Childcare Assist, Childcare Subsidy, etc) in light of better intelligence about what parents need.
13. While childcare partnership managers are working well in some regions, there is variation in approach and performance. The role of childcare partnership managers should be more clearly defined:
    - On the basis of management information about parents' needs and preferences for childcare, childcare partnership managers should work with the local authority to ensure that supply better meets demand and, where possible, 'broker' deals with providers.
    - Childcare partnership managers should develop Jobcentre Plus outreach work, establishing links with all Children's Centres (see page 51).
14. Personal Advisers should receive training on the contribution of good quality childcare/early education to children's development and the options available.
15. Jobcentre Plus' management information and target structure should reflect the Department for Work and Pensions' joint childcare Public Service Agreement target.

Flexible working

While the right to request flexible working has improved access to more family-friendly working patterns for parents in work, we know that many parents are deterred from working because they do not feel that they can find a job that will fit in with their caring responsibilities.

Flexible work opportunities have increased in recent years, although not in all areas of the labour market. And, in reality, parents who are out of the labour market are least likely to be able to negotiate their working hours. There is also evidence for increased demand for flexible working arrangements, amid concerns about the impact of long, inflexible and 'atypical' working hours on family life.[31] Parental employment rates are unlikely to increase significantly unless there are more opportunities for parents to work hours that are compatible with their caring responsibilities.

At present Jobcentre Plus does not systematically promote or broker flexible working arrangements on behalf of customers. This partly depends on there being a good local dialogue with employers about labour market demands and the needs of the labour force. But it also rests on Jobcentre Plus undertaking proactive work to broker arrangements between employers and its customers, by establishing job-share registers, identifying working patterns that meet parents' needs and working with employers to develop solutions. By taking a confident, proactive stance, Jobcentre Plus could play a major role in negotiating working patterns that meet both employers' and employees' needs. As a minimum, the level of information about the nature of jobs needs to improve. Job adverts do not routinely state whether there are opportunities to work flexibly.

Recommendations

16. **Where flexible working opportunities are available, Jobcentre Plus adverts for vacancies should clearly state this.**
17. **Jobcentre Plus should pilot schemes to encourage opportunities for flexible working arrangements for parents, perhaps drawing on the experience of recruitment agencies.**

[31] See, for example, Barnes M, Bryson C and Smith R, 2006, *Working atypical hours: what happens to family life?*, National Centre for Social Research.

5. Work First Plus

Improving skills

Although a parent's skills and qualifications are a key determinant of their income, the Government's child poverty strategy has placed little emphasis on skills acquisition in the past. However, the Leitch Review has been established by the Government to identify the UK's optimal skills mix in 2020, to maximise economic growth, productivity and social justice. Its report will provide an important context for the debate about how best to increase the skill levels of those who are out of work or on low incomes.

The UK's Welfare to Work programmes have had a strong 'work first' approach, informed by the strong evidence that gaining a job offers better long-term prospects than simply acquiring training. This approach has at times appeared to underplay the value of skills. Indeed, some have noted that 'the effectiveness of programmes with a stronger emphasis on rapid labour market attachment was simplified into a message that education and training "didn't work" and that programmes should redirect attention to work first'.[32]

Low skills are already a major barrier both to job entry and progression in work (40 per cent of lone parents on Income Support have no qualifications and 1.2 million parents are in low-skilled employment). And as we look to 2020, the skills 'problem' is going to become even more significant to the child poverty agenda, as the premium placed on high skills in the labour market increases.

A particular concern must be improving the skills and qualifications of today's 5–20-year-olds – who will become parents in the next 15 years. But there is also a clear need for better 'second-chance' education and training. We currently do not have a system for the development of skills and job advancement for those moving from welfare to work. There is a need for a 'Work First Plus' approach that includes:

- more personalised support and advice to help parents gain skills that will enable them to progress in the labour market;
- better ways of assessing those parents who would benefit from participation in skills training prior to job entry and those who require a package of 'job plus training' in order to progress in work. There is evidence that the most effective programmes provide high-quality, work-focused training, have a clear link with employers, provide a tailored

[32] Millar J and Evans M, 2003, *Lone parents and employment: International comparisons of what works*, p 40, Department for Work and Pensions Research Report No. 181.

package of support and encourage active job search at the same time as training. But for some individuals, help to improve 'soft skills' (communication, presentation, confidence-building) will be necessary prior to job search. The critical issue is to get the appropriate support for each individual – and to find better ways to recognise and reward 'distance travelled';

- better use of existing resources to fund training programmes that have an impact on employability/progression – and more investment where necessary (with lessons from Train to Gain). Given current evidence that those with the lowest skills are least likely to have access to training at work, it might be necessary to have an approach where funding for skills follows the individual; and
- better use of intelligence about skills (employers' requirements, changes in demand for skills) to inform Welfare to Work advice.

This is an area of policy which is clearly shared between departments, with the Department for Education and Skills and the Department for Work and Pensions (and two key delivery agencies – the Learning and Skills Council and Jobcentre Plus) playing lead roles. In the light of the Leitch Review it will be important to identify the optimal use of resources and the most effective approach to delivering better skills support to individuals seeking and entering work, in order to make a difference to child poverty.

Recommendation

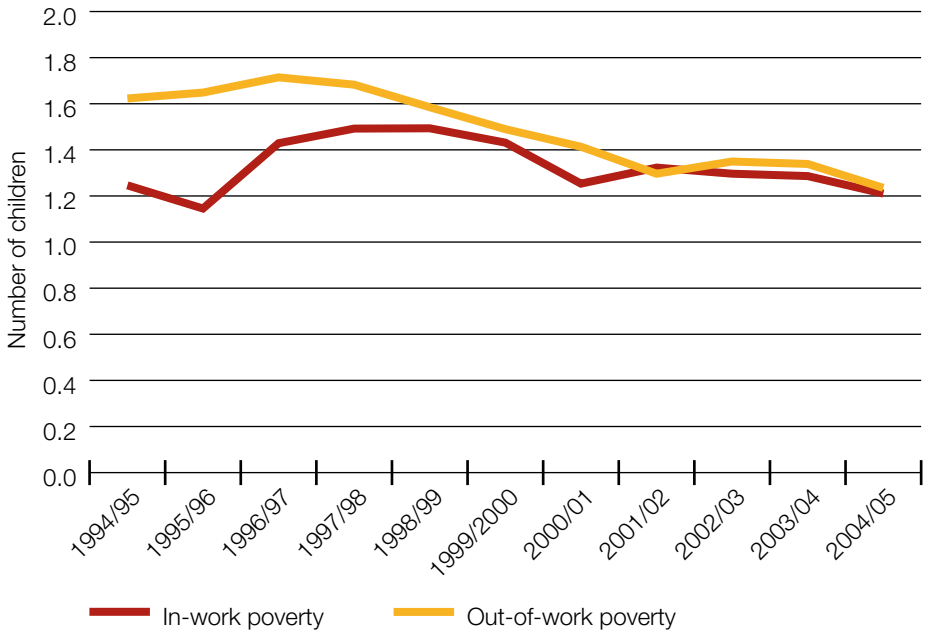
18. In the light of the Leitch Review, the Department for Work and Pensions and the Department for Education and Skills should jointly set out how they intend to improve access to appropriate skills training for jobseekers and low-income workers.

Job entry, retention and progression

For many parents a move into work is an escape from poverty. In almost two out of three cases where there is an increase in the number of workers in a poor household, individuals in that household are lifted out of poverty.[33]

However, in around one in three cases, gaining a job means moving from non-working poor to working poor. This is often a temporary situation – for example, only around one in ten children living in couple families reliant on a single earner are persistently poor[34] (compared with 44 per cent of children in non-working households). But while persistent poverty has fallen among children living in non-working households, it has not decreased among working households. And this is reflected in the convergence in the number of children in poverty living in non-working and working households.

Graph 5: Children in working and non-working poor households



Source: Households Below Average Income statistical report 1994/95–2004/05, Office for National Statistics.

For children to have the best chance of escaping poverty, parents' employment needs to be sustained and provide a wage (or prospects of a wage) that lifts the family over the poverty line – also critical elements of a 'Work First Plus' approach. Welfare to Work programmes should not only help parents into work but should also help them retain and progress in employment. This means getting the right pre- and post-employment support in place and ensuring that parents enter the kind of jobs that help them to escape poverty.

[33] Jenkins SP, Rigg JA and Devicienti F, 2001, *The Dynamics of Poverty in Britain*, Department for Work and Pensions Research Report No. 157.

[34] Carter R, Christian V and Herbert N, 2006, *Low-Income Dynamics 1991–2004 (Great Britain)*, www.dwp.gov.uk

Job entry

While there is strong evidence that programmes that take a 'work first' approach are more successful at helping people into work than programmes that focus only on enhancing skills or qualifications, an emphasis on the quantity rather than the quality of job placements runs the risk of parents moving into low-paid work which does not enable them to escape poverty.

An alternative strategy would be built around not only helping parents into work but also helping them to find work that can be sustained and offers good prospects – to ensure that families are not only better off in work but also have the earnings, or expectation of earnings, that lift them out of poverty. This would need to be reinforced by a target structure that rewarded both sustained employment and progress in work.

Not every move into work has to be a move out of poverty if it offers a step towards better prospects. But more could be done to ensure that parents do not end up in low-income jobs with little chance of progressing to higher pay. Programmes that have focused on helping participants gain a good job rather than the first job that comes along – such as the US Portland (Oregon) Welfare to Work programme[35] – have been able to secure jobs with better wages, and this has had a positive impact on the chances of someone remaining in work. Evidence from the UK's Employment Zone evaluation also found that good job matching was central to individuals sustaining work.[36] Job entry rates in such programmes tend to be lower, but more children are likely to be lifted out of poverty per entry into work.

The significant contribution of low earnings to high levels of child poverty in the UK nevertheless raises some fundamental questions about the level of reward attached to jobs in different parts of the labour market, the responsibility of employers towards their employees and the extent to which in-work financial support can be expected to lift families out of poverty. As we look to the future, some of the most significant growth areas of the labour market are in the service sector,[37] where many parents – primarily women – will be looking for opportunities to take up work. The undervaluation of such work and the persistence of the gender pay gap will significantly restrict progress towards ending child poverty by 2020.

[35] See Hamilton G, 2002, *Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies*, Manpower Demonstration Research Corporation.

[36] Griffiths R, Durkin S and Mitchell A, 2005, *Evaluation of Single Provider Employment Zone Extensions to Young People, Lone Parents and Early Entrants*, Department for Work and Pensions Report No. 312.

[37] Most employed lone parents are now working in the service sector – such as retail, cleaning and domestic services, catering, childcare, clerical and teaching assistants.

Recommendations

19. **Advisers should be provided with sufficient management information to judge not only whether a customer would be better off in employment but also the wage level that would enable them to escape poverty.**
20. **The Department for Work and Pensions should explore ways to encourage sustained employment and progress in work via the Jobcentre Plus target structure. Funding for contested services should also be weighted towards sustained employment and progression in work.**

Retention and progression

Progress towards tackling child poverty is also being held back by problems of job retention. Around one in ten lone parents leave work in any one year – more than double the rate of job exits of non-lone parents.[38] And while we have little data on the retention and progression of parents in couple households, we know that 70 per cent of Jobseeker's Allowance claims are repeat claims and parents moving off Jobseeker's Allowance are more likely than non-parents to move into low-paid work, have debts or have difficulty coping financially.

The high rate of job exits suggests that significant resources are being wasted because of the 'cycle' of individuals moving off and back onto employment programmes. For example, between 18 and 20 per cent of those leaving the New Deal for Lone Parents for work return to benefit within six months, 29 per cent return within a year and 40 per cent return within two and a half years.[39] Poor retention rates are by no means limited to lone parents – 40 per cent of claimants on Jobseeker's Allowance who move into work return to benefit within six months.

If the rate of job exits among lone parents was reduced to the level of non-lone parents, the 70 per cent employment target could be met without any increase in the number of lone parents entering work. Even accounting for the potential impact on job entry rates of retaining more job-ready lone parents in work, a 20 per cent reduction in lone parent exit rates could lift 44,000 children out of poverty.

There is only limited robust evidence on what is effective in helping people remain and progress in work. In the UK, Welfare to Work programmes were not designed to provide in-work support, although several programmes have incorporated this element.[40] The Department for Work and Pensions has established the Employment Retention and

[38] Evans M, Eyre J, Millar J and Sarre S, 2005, N*ew Deal for Lone Parents second synthesis report of the national evaluation*, Sheffield, Department for Work and Pensions Research Report No. 163.

[39] Ibid.

[40] Including New Deal Plus for Lone Parents, Employment Zones and the Working Neighbourhood Pilots.

Advancement demonstration pilots, which began in 2003, to test what is effective in helping people retain, and advance in, work. The pilots are being undertaken in six Jobcentre Plus districts, and individuals have been randomly assigned to the programme, which involves up to nine months pre-employment and 24 months post-employment advice and support, alongside financial incentives to remain in work or undertake training. Three groups are eligible for the Employment Retention and Advancement Programme: those on New Deal 25 Plus; those on New Deal for Lone Parents; and lone parents on Working Tax Credit working less than 30 hours a week.

The pilots will provide, for the first time, clear evidence of whether investment in pre- and post-employment support can improve job entry rates, retention and advancement in work. While it is too early to draw clear conclusions, the initial findings – in terms of the chances of entering and remaining in work and having increased earnings – look promising. Although the impact has not been uniform across all groups, participants in the programme seem to be more likely to enter and remain in work and receive higher wages.

There is also some early evidence from similar pilots being undertaken under the same programme in the United States.[41] The picture is far from complete and not always encouraging. In-work programmes that rely solely on case management (via a career consultant) or on providing education and training have yet to produce very positive results. The most promising evidence comes from programmes which combine pre-employment and post-employment services. This approach involves multiple agencies providing pre-employment support (job search assistance, training in soft skills, career planning, addressing specific employment barriers) and aftercare during the first few months of employment. The programme also includes financial incentives for taking part in advancement activities.

It seems likely that pre- and post-employment support, skills development and financial incentives all need to play a part in encouraging retention and advancement in work. But another critical factor is likely to be the extent to which strategies are employer-focused or even demand-led. The UK's Ambition initiative demonstrated that a demand-led approach that integrates an offer of work with training can achieve higher job outcome and retention rates than existing programmes, although it requires significant time and resources.[42] Such an approach is likely to prove effective for particular groups. More generally, there is a need for programmes to be more employer-focused – closer working with employers would not only improve understanding about the skills and qualities they are looking for from employees, but would also encourage employer action to improve retention and progression through training, mentoring and access to flexible working opportunities.

[41] See www.mdrc.org for information on the US Employment, Retention and Advancement Project.

[42] Since there was no control group, the long-term impact and value for money of the Ambition Programme was not formally evaluated by the Department for Work and Pensions before the programme ended.

Building on the evidence of the most effective interventions, Jobcentre Plus should integrate steps to improve retention and progression into all its programmes. But, as a priority, those groups who are currently most at risk of 'cycling' between work and benefits should be the first to receive additional support. Improving employment retention rates among lone parents, repeat Jobseeker's Allowance claimants and long-term Incapacity Benefit claimants will have the most significant impact on reducing child poverty. Supporting advancement in work, particularly among poor couple families, will also make a difference.

Recommendation

21. **Pre- and post-employment support should be improved, especially for parents who are at greatest risk of 'cycling' between work and benefits. On the basis of the evaluation evidence, the Department for Work and Pensions should consider rolling out the Employment Retention and Advancement Programme nationally.**

Additional measures for London

The exceptionally high levels of child poverty in London mean that there is a strong case for particular measures to address the problem in the capital. Child poverty rates in Inner London are already considerably higher than in the rest of the country: 35 per cent of children live in poverty (before housing costs), compared with 19 per cent across Great Britain as a whole.[43] And while there has been a significant reduction in the national rate of child poverty over the last ten years, there has been no sustained reduction in the capital since 2000.[44]

According to research undertaken for the London Child Poverty Commission,[45] child poverty rates (measured before housing costs) in the capital are not projected to fall by 2010/11 without further policy change, and will remain higher than the national average. Child poverty rates after housing costs are expected to remain significantly higher in London than the rest of the country.[46]

There are a number of reasons for the high levels of child poverty in London. For a start, there is a concentration of 'at risk' groups in the capital. Lone parents, ethnic minorities and families living in social housing face a higher risk of poverty wherever they live in the country, but they make up a higher proportion of the London population. More than a third of children in Inner London live in a lone parent family, compared with 23 per cent in England as a whole.[47] Two-fifths of London's children (41 per cent) belong to a Black, Asian or ethnic minority group, compared with 13 per cent of children in England and Wales.[48] London also has a higher proportion of households in social and privately rented housing and a lower proportion of owner occupation.

But London's employment patterns also play a part. Employment rates for mothers in lone parent and couple families in the capital are much lower than at national level, and this gap has grown over time. A large number of children live in workless households in London (27 per cent in Greater London and 38 per cent in Inner London, compared with 14 per cent nationally). There are also fewer dual-earning families in London (37 per cent of parents in couples rely on a single earner in Inner London compared with 26 per cent in the rest of the UK) and fewer opportunities to work part time in some parts of London. Indeed, part-time employment rates have actually fallen in London while rising in the rest of the UK.

[43] When measured after housing costs, child poverty in London is far higher, with 39 per cent of all children in poverty and over 50 per cent in Inner London.

[44] London Child Poverty Commission, 2006, *Monitoring child poverty in London*, Greater London Authority on behalf of the London Child Poverty Commission.

[45] The London Child Poverty Commission is an independent commission established by the Mayor of London and the Association of London Government (now called London Councils) to identify ways to reduce, and eventually eliminate, child poverty in the capital.

[46] Research undertaken for the London Child Poverty Commission by Nick Buck, Holly Sutherland and Francesca Zantomio, Institute for Social and Economic Research, University of Essex.

[47] Derived from the 2001 Census.

[48] Greater London Authority, November 2004, *The State of London's Children Report*, Greater London Authority.

Table 3: Employment rates by family status (2004)

Family status*	London %	Rest of UK %
Women without children	75	77
Women with children	54	68
Men without children	81	82
Men with children	86	91
Female lone parent	41	55
Mother in couple	61	72
Male lone parent	Data not available	64
Father in couple	86	91

Source: *Annual Population Survey/Greater London Authority Data Management and Analysis.*

*Note: Excludes full-time students.

London's strong economy has created over 600,000 jobs in the last ten years, but the bulk of new jobs have been for high-skilled work and a significant proportion of these have benefited people outside the capital. London has experienced significant industrial and occupational change and high levels of domestic and international migration into and out of the city.[49] It is possible that an excess supply of low-skilled workers has contributed to high levels of worklessness in the capital, but it is also the case that London's low-skilled jobseekers have not benefited from the opportunities that are available. Welfare to Work schemes have been less effective at supporting people into jobs in the capital than elsewhere in the country (although poorer Jobcentre Plus performance in the capital partly reflects the characteristics of the client group and nature of the local labour market).

London's high living costs mean that the benefit from entering employment can be less than in other parts of the country for those on lower wages, for whom the London wage premium is smaller. High housing and childcare costs make it particularly difficult for parents (particularly lone parents) to find work that pays.

[49] HM Treasury, March 2006, *Employment opportunities for all: analysing labour market trends in London*, HMSO.

London's child poverty problem is therefore a consequence of the composition of the capital's population and the nature of the labour market in the capital: some mismatch between labour market supply and demand, low skills and asymmetric mobility,[50] and the difficulties that low-income families have in making work pay. The problem is partly of a different order and partly of a different nature, so while some measures to tackle child poverty have an impact on London, others (particularly in relation to the labour market) have been less effective.

Tackling child poverty in London depends on raising levels of parental employment. Measures to improve basic-level and other skills[51] that are relevant to the labour market, reduce childcare costs, improve the performance of Jobcentre Plus in London and promote part-time working will all be necessary. It will also require more second earners to move into work and for the earning prospects of single earners to improve, given that 28 per cent of single-earner couple families in poverty live in London.[52]

London's child poverty strategy needs to be designed from the bottom up, informed by the particular circumstances in the capital. The City Strategy pilots, if provided with sufficient flexibility and access to resources, could be an important opportunity to redesign some aspects of Welfare to Work support for London's parents by combining the best of what works well in London and elsewhere with new approaches.

In addition, various policy options could be considered by the Department for Work and Pensions, including:

- introducing a higher in-work credit for all parents moving from benefits to employment in London or extending the in-work credit in London from 12 to 18 months;
- improving work incentives, for example by introducing changes to Housing Benefit (see page 56) and/or expanding block grant funding to enable the Working Future project[53] to be rolled out across London;
- increasing (with the Department for Education and Skills) the investment in basic-level and employer-led training opportunities;
- targeting support to improve progression of single earners in low-paid work; and
- introducing a package of support for potential second earners (see page 49).

[50] There is high mobility among higher income workers but very low mobility among low-income families.

[51] Sixty per cent of non-employed fathers in London have English as a second language. There is a need to improve the quality of provision and improve access.

[52] Lyon N, Barnes M and Sweiry D, 2006, *Families with children in Britain: Findings from the 2004 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No. 340, Corporate Document Services.

[53] Working Future is a pilot project that seeks to tackle unemployment among families in long-term temporary accommodation – 10 per cent of children in poverty in London live in temporary accommodation. The project combines reductions in rent levels with Welfare to Work support. It is a partnership between the Greater London Authority, East Thames Housing and the London boroughs of Newham, Redbridge and Waltham Forest. The project uses a block grant payment to the landlord to reduce the rent paid by households in temporary accommodation leased from the private sector, to the level of a social rent.

Such policies would need to complement measures, which are the responsibility of other government departments, to reduce the costs of working in London (such as improving the affordability of childcare or possibly adding a London premium to the Working Tax Credit).

Over the coming year, the London Child Poverty Commission will be exploring the contribution that these, and other policies, could make to tackling child poverty in London.

Recommendations

22. **The Department for Work and Pensions should explore a special package of measures to reduce child poverty in London, informed by the work of the London Child Poverty Commission.**
23. **The Department for Work and Pensions should support City Strategy pilots to test some radical new approaches to tackling worklessness among families with children in London.**

6. Extending the reach

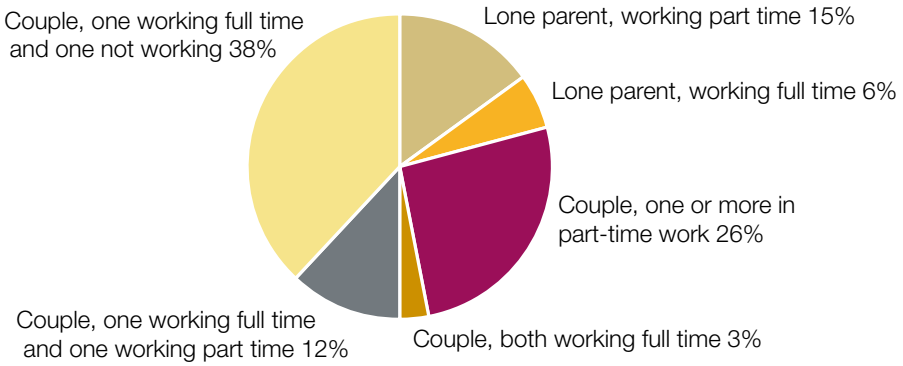
Supporting the in-work poor

Nearly half (48 per cent) of children in poverty now live in families where there is someone in work. It will be necessary to significantly reduce levels of poverty among this group in order to reach both the 2010 and 2020 targets.

This will be challenging, given that these are families with whom the Department for Work and Pensions programmes currently have no contact. It also underlines the need to try and reduce the number of parents leaving welfare for work that does not provide a route out of poverty.

In-work poverty is primarily a problem that affects couple families. Just 7 per cent of children in poverty are living with a lone parent in work. The vast majority of potential second earners where the sole earner works full time are women (90 per cent). But in households relying on a sole part-time earner, the potential second earner is more likely to be male (76 per cent).

Chart 3: In-work poor households with children by working patterns and household type



Source: Chung R et al, 2006, *Family Resources Survey 2004/05*, Office for National Statistics.
Note: Excludes the self-employed.

Table 4: Causes and solutions to in-work poverty

Low pay	Requires measures to improve wage levels – via the minimum wage,* sector pay agreements or a voluntary approach. Better support for parents to advance in work, so that low-paid workers do not remain trapped on low pay. Working Tax Credit is not sufficient to lift some in-work couple families out of poverty – more help is required via the tax credits system.
Families relying on one earner	There is a financial disincentive for some second earners to enter work.** Second earners need help with preparing for and moving into work.
Single/dual earners not working enough hours	Single/dual earners need support to increase their hours and/or progress in work.

Notes:
* Increases in the minimum wage tend not to have a significant impact on child poverty because they result in a fall in tax credit income and are not targeted at families with children.

** The income disregard was increased ten-fold from £2,500 to £25,000 from April 2006, which enables couples to keep their tax credit entitlement until the end of the tax year unless the household income rises by more than £25,000 – greatly improving the incentive to work (at least up to the end of the tax year). However, awareness about this entitlement does not appear to be high, and HM Revenue and Customs and Jobcentre Plus need to do more to promote it.

Any programme of support for in-work poor families would need to take account of circumstances and motivations of those living in working poor households. We know that potential second earners in poor families face significant barriers to work – a high proportion do not have recent experience of work, many cite caring responsibilities as the reason that they are not seeking work and one in four has a long-term health problem or disability.[54] In-work poverty levels are also considerably higher among ethnic minority families (see page 28). While some aspects of the existing support designed for other jobseekers may be effective for this group, it is very unlikely that a one-size-fits-all solution would produce significant results. For individual families, the support required would depend on a variety of factors including childcare needs, existing skill levels and opportunities for progression. Advice and support would need to take a 'family focus', along the lines described on page 17, in order to maximise the chances of families escaping poverty.

[54] Lyon N, Barnes M and Sweiry D, 2006, *Families with children in Britain: Findings from the 2004 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No. 340, Corporate Document Services.

A package of support for in-work poor families might include:

- access to support outlined in the New Deal for Parents (see page 17);
- a Work-Related Activity Premium for second earners with children (although this would have to be delivered via the Working Tax Credit as very few will be on Income Support) – see page 55;
- enhanced in-work support and improved work incentives – changes to the Working Tax Credit or extending eligibility for the In-Work Credit to second earners with children; and
- support aimed at single earners to help them progress in work through career advice and help with gaining appropriate skills.

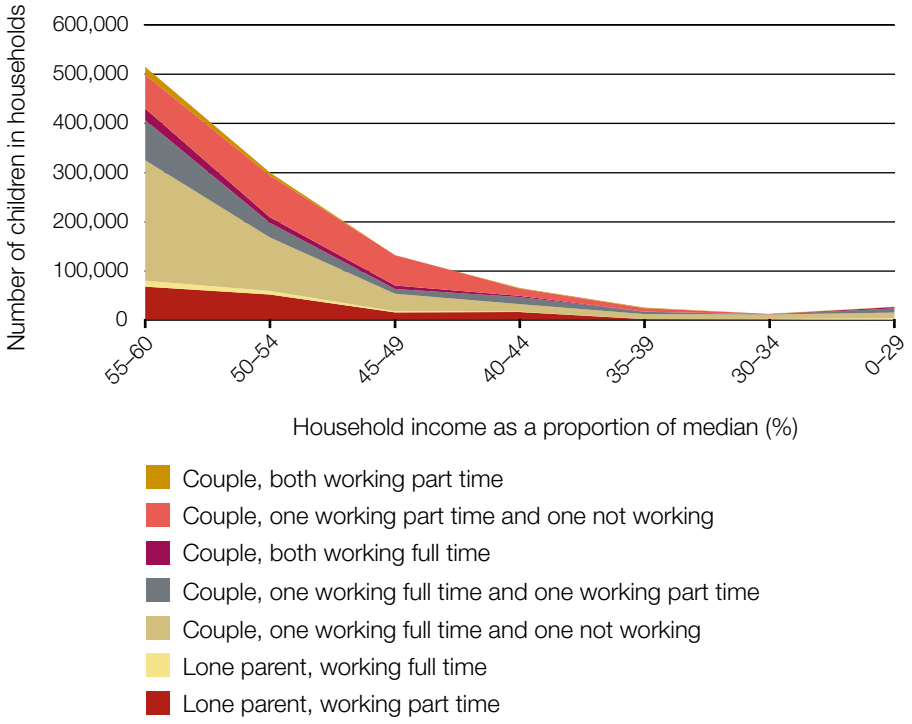
In addition, it will be necessary to use different channels to provide support to in-work families. Such families are unlikely to be in contact with Jobcentre Plus and there is no reason to compel them to be. Voluntary sector organisations may offer a more appropriate environment in which to broker support for families. Proactive information about the kind of support families could access will need to be directed at a wide group of families, with targeted support directed at those likely to benefit most – one option would be to target help at families in receipt of the higher rate tax credit. Recent research published by the Department for Work and Pensions has identified various ways of delivering outreach support;[55] it may well be more effective to contact potential second earners via the school gates or doctor's surgery than sending them an invitation to pay a visit to Jobcentre Plus.

The Government will be wary of promoting dual earning as the only route out of poverty but rather want to acknowledge the need for families to choose the working pattern that best suits their circumstances. Nevertheless, there does appear to be a clear demand for help with entering work – around one in five workless partners in single-earner couples in poverty are looking for work and half intend to look for work in the future.[56] And significant gains could be made, given that a large proportion of the 670,000 children living in working poor couple families live in households relatively close to the poverty line.

[55] Dewson S, Davis S and Casebourne J, 2006, *Maximising the role of outreach in client engagement*, Department for Work and Pensions Research Report No. 326.

[56] Lyon N, Barnes M and Sweiry D, 2006, *Families with children in Britain: Findings from the 2004 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No. 340, Corporate Document Services.

Graph 6: Distribution of children living in poor working families by income



Source: Chung R et al, 2006, *Family Resources Survey 2004/05,* Office for National Statistics.

If more potential second earners were to move into work, it would have a considerable impact on child poverty. For example, if 20 per cent of single-earner poor families were to become dual-earner families, around 80,000 children could be lifted out of poverty.[57] This would represent an increase in the number of dual-earner couple households of just 2 per cent, but it would nevertheless be a significant change, requiring more than double the reduction in single-earner households that has occurred since 1997 and for all of those single-earner households to become dual-earner households.

Recommendation

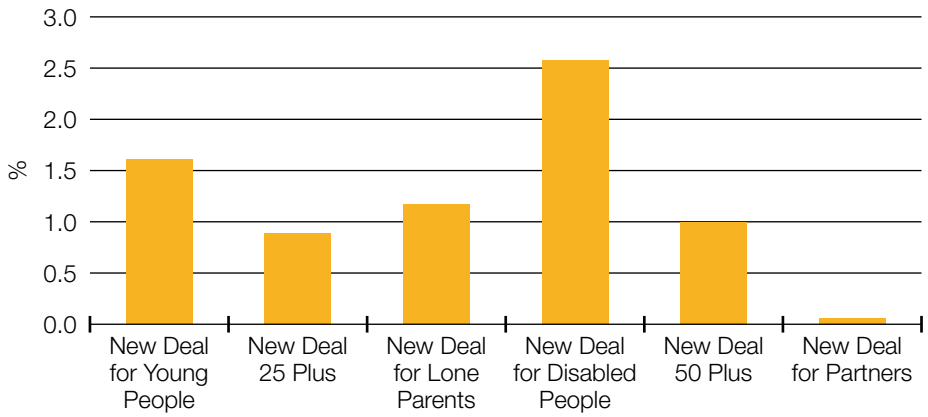
24. That the Department for Work and Pensions establishes a pilot to test the most effective ways of providing support to working poor families.

[57] This is a tentative estimate based on a range of assumptions about the likely work and earnings patterns of this group.

Reaching parents via Children's Centres

A small minority of parents who are not in employment currently participate in Welfare to Work programmes – 1 to 2 per cent at most. This is partly because eligibility for the programmes is restricted[58] but also because programmes such as the New Deal for Lone Parents, the New Deal for Disabled People and the New Deal for Partners are voluntary programmes.

Graph 7: Proportion of all working-age benefit recipients on New Deal programmes



Source: *DWP Work and Pensions Longitudinal Study*, February 2006

If parental employment rates are to continue to rise, Welfare to Work support needs to reach parents who are currently not engaging with Jobcentre Plus services. The development of Children's Centres offers an opportunity to provide information, advice and guidance to many parents who might otherwise have not engaged with Welfare to Work programmes.

The 2006 Childcare Act places a legal duty on Jobcentre Plus to work with local authorities towards securing integrated early childhood services. The number of Children's Centres is set to increase rapidly. At September 2006, there were over 1,000 Children's Centres, 2,500 are planned to be open by 2008 and 3,500 by 2010.

At present, joint working with Jobcentre Plus and Sure Start at a local level is on a piecemeal basis. There is currently no official policy or strategy around how Jobcentre Plus can meet its commitments under the Childcare Act. No formal funding stream has been allocated for joint working (where joint working is happening, it appears to be being funded through Jobcentre Plus and Sure Start marketing budgets based on decisions made locally by managers).

[58] For example, 18 to 24-year-olds have to be claiming Jobseeker's Allowance for six months before they are eligible to join the New Deal for Young People, and the New Deal 25 Plus is only open to those claiming Jobseeker's Allowance for at least two years.

The need for Jobcentre Plus to concentrate on 'core business', driven by the challenging targets they have been set, is undermining efforts to develop links with Children's Centres. The number of childcare partnership managers has been reduced in line with the restructuring of Jobcentre Plus district boundaries. Each childcare partnership manager is now responsible for an average of 15 Children's Centres but, by 2008, this will have increased to 42 and by 2010 each manager will be responsible for 58 Children's Centres. As the number of Children's Centres increases, childcare partnership managers will need to play more of a strategic role, managing others who have day-to-day contact with Children's Centres.

Within current resources, it is not possible to have a permanent Jobcentre Plus adviser in every Children's Centre. Nor would it necessarily be desirable. While Children's Centres need to have ready access to information and advice for parents and have a dedicated person who can develop this work, it may be more effective for non-Jobcentre Plus staff to support and encourage parents to engage with Jobcentre Plus services. This kind of 'on your side' brokering role, undertaken by a parent who has successfully moved into employment, is already evident in some Children's Centres. The challenge is to ensure that it is universally available.

Recommendation

25. Every Children's Centre to have, as a minimum: a 'warm' phone,[59] leaflets, job noticeboards, desk space, IT access, a designated employment adviser and a Job Point.

[59] This is a phone that puts callers straight through to a Jobcentre Plus contact centre.

7. The contribution of other policies

Benefit levels

Even with rises in parental employment, the 2010 and 2020 targets will not be met without further improvements to financial support for families with children. Much of the financial support specifically directed at children lies outside the responsibility of the Department for Work and Pensions,[60] although the out-of-work benefits that adults receive also have a significant impact on family income.

Nevertheless, it is worth noting that the Joseph Rowntree Foundation has calculated that it would be possible to reach the 2010 target by spending £4.3 billion per annum by raising the child element of Child Tax Credit from £37 to £48.50 per week and increasing the Child Tax Credit family element by £20 for each third and subsequent child. This raises the question of whether Child Tax Credit is the best contender for future tax credit/benefit spending or whether other tax credit/benefit increases (or combinations) would be desirable.

For example, increasing the Child Benefit rate for second and subsequent children to that for the first child would lift 250,000 children out of poverty at a cost of £1.6 billion. Spending the same amount of money on an enhanced Child Tax Credit family premium for families with three or more children would lift twice as many children out of poverty but would add more administrative complexity to the tax credits system.

There is also the question of the relative value of benefit levels. The decline in the value, relative to earnings, of benefits and tax credits reduces their effectiveness in preventing child poverty.

There is already a commitment to uprate Child Tax Credit in line with earnings up to 2009. Table 5 shows that if Child Tax Credit was uprated in line with earnings to 2010/11, 60,000 children would be lifted out of poverty at a cost of £219 million (2010 prices).[61]

[60] Child allowances in Income Support, Jobseeker's Allowance, Housing Benefit and Council Tax Benefit are being 'migrated' to the Child Tax Credit.

[61] Child allowances in Income Support, Jobseeker's Allowance, Housing Benefit and Council Tax Benefit are being 'migrated' to the Child Tax Credit. There are currently a number of cases which have not been migrated. Child allowances in these benefits are uprated in line with Child Tax Credit and it is implicitly assumed that this policy will continue until migration has been completed.

Increasing benefits above rises in earnings would help offset some of the relative decline in their value in recent years. If Child Tax Credit was uprated in line with earnings plus 5 per cent until 2010/11, 570,000 children would be lifted out of poverty at a cost of £2.8 billion (2010 prices).

Table 5: The impact of benefit uprating on child poverty

	Number of children estimated to be lifted out of poverty	Cost (2010 prices)
Uprate Child Tax Credit in line with earnings to 2010/11	60,000	£219 million
Uprate Child Tax Credit in line with earnings plus 5% to 2010/11	570,000	£2.8 billion

Note: Assumes full benefit and Child Tax Credit take-up.

Ensuring that benefits and tax credits maintain their value in line with earnings should not be viewed as a one-off exercise. For example, failing to maintain the value of Child Tax Credit in line with earnings between 2010 and 2020 would mean that the child poverty rate would be 5.1 percentage points higher in 2020 than it would otherwise be.

Increases to the Child Tax Credit would have the advantage of targeting additional resources at families with children. But the Government will also be mindful of the relative value of benefits for families with and without children and the decline in relative value of adult out-of-work benefits, which is also contributing to child poverty. An across-the-board uprating of benefits[62] in line with earnings up to 2010 would not be a cost-effective way to tackle child poverty: it would cost around £7 billion per annum and reduce the percentage of children living in poverty by just one percentage point. Selective increases in the value of some adult benefits would be more effective.

Recommendation

26. The Department for Work and Pensions should review its benefit uprating policy and the potential impact on child poverty up to 2020.

[62] This includes Disability Living Allowance, Widow's/Bereavement Allowance, Maternity Allowance, Industrial Injuries Disablement Benefit, Income Support, Housing Benefit, Attendance Allowance, Incapacity Benefit, Carer's Allowance, Severe Disablement Allowance, Child Benefit, Jobseeker's Allowance and Council Tax Benefit.

Potential benefit reforms

The Department for Work and Pensions has announced that it will be piloting a Work-Related Activity Premium.[63] The premium will consist of a £20 addition to Income Support for lone parents who have been out of work for at least six months, have a child aged 11 years or older and are undertaking work-related activity.

The premium will be available on an opt-out basis – it will be available for lone parents unless they specifically decline to begin to prepare for a return to the labour market by undertaking work-related activity. Such activity will be broadly defined – not restricted to training, for example – and might include such things as taking steps to sort out a debt or manage a health condition. The maximum period of entitlement will be six months. Quarterly work-focused interviews for lone parents whose youngest child is aged 11 or older will be introduced alongside the pilots, as part of a proposed national roll-out.

The premium has the potential to make a difference to child poverty by increasing benefit income while maintaining work incentives. It will take time to pilot the premium and evaluate its impact, so its contribution towards meeting the 2010 target will be limited. Clearly, if eligibility was extended to all lone parents, this would increase the impact on

[63] From April 2007, the Work-Related Activity Premium will be piloted in several Jobcentre Plus districts.

child poverty. However, depending on take-up, the payment of the £20 premium could lift between 25,000 and 50,000 children out of poverty (plus the indirect effects of more lone parents moving into work).

Nevertheless, it would seem illogical to restrict eligibility for the Work-Related Activity Premium to lone parents. An additional work-related premium would help to encourage potential second earners[64] to consider entering work, for example, and would have both a direct and indirect impact on reducing child poverty. Similarly, eligibility for the Work-Related Activity Premium could be extended to partners of benefit claimants.

The Department should also review whether there are further benefit changes that could have an impact on reducing child poverty. Further reforms to Housing Benefit and Council Tax Benefit could, in particular, make a difference. These two benefits are already responsible for lifting 800,000 children out of poverty. Increasing these benefits for in-work families would be a way of targeting extra money on low-income working families in rented accommodation – who face a high risk of poverty and (in some cases) disincentives to work.

The nature of any reform needs to be considered carefully. For example, if the Working Tax Credit was disregarded in Housing Benefit and Council Tax Benefit calculations, 160,000 children could be lifted out of poverty. This would also have a positive impact on work incentives, potentially reducing child poverty still further. Such a proposal would cost £0.5 billion per annum. However, disregarding Working Tax Credit income would increase marginal deduction rates, making it more difficult for some families to escape poverty. Marginal deduction rates[65] would be less if Housing Benefit and Council Tax Benefit tapers[66] were lowered, and the most cost-effective approach would be to lower tapers only for families with children, which would be technically feasible but would add to the complexity of the system.

At the very least, steps should be taken to increase the level of awareness that Housing Benefit and Council Tax Benefit can be claimed in work. Research undertaken for the Department has shown that often claimants do not take this into account when calculating whether they would be better off in work and this distorts their decision to move into employment. Jobcentre Plus could play a stronger role in encouraging Housing Benefit take-up and ensuring that parents are aware that they are able to claim Housing Benefit and Council Tax Benefit when they are in work.

HM Revenue and Customs and Jobcentre Plus should also work together to increase parents' awareness of the support they can receive via tax credits if they enter work. This includes doing more to promote the childcare element of the Working Tax Credit and the £25,000 income

64 The delivery mechanism might have to be different – few potential second earners are on Income Support.

65 The marginal deduction rate is the percentage of each additional £1 of gross earnings that is lost because of increased tax and National Insurance contributions, and changes in entitlement to income-related benefits and tax credits.

66 When a claimant's net income is greater than the 'applicable amount' – the weekly amount the Government believes represents a family's basic living needs – Housing Benefit and Council Tax Benefit are reduced by a percentage of the difference. This percentage is called the taper and it is currently 65 per cent for Housing Benefit and 20 per cent for Council Tax Benefit.

disregard which enables couples to keep their tax credit entitlement until the end of the tax year if a second earner moves into work, unless household income rises by more than £25,000.

Recommendations

27. **On the basis of evaluation evidence emerging from the Work-Related Activity Premium pilots, the Department for Work and Pensions should consider whether to extend the Work-Related Activity Premium to other groups of parents.**
28. **The Department for Work and Pensions should consider the child poverty impact of other types of reforms, including reforms to Housing Benefit.**

Child support

Given that 42 per cent of children in poverty are living in lone-parent families, maintenance payments ought to play a major role in reducing child poverty. An effective system of recovering child support could make a significant difference to child poverty levels.

Currently only a minority of families are receiving maintenance payments: 22.8 per cent of lone-parent families and 4.4 per cent of couple families. But in these cases, maintenance is making a difference, reducing child poverty rates by as much as 13.9 per cent in lone-parent families and 2.5 per cent in couple families.[67] The Department estimates that child maintenance payments currently lift a total of 100,000 children out of poverty.[68]

However, a more effective system could deliver much more. Child support delivers 25 per cent of Austria's child poverty reduction, 24 per cent of Switzerland's, 18 per cent of Sweden's and only 2.9 per cent of the UK's.[69]

The Henshaw Review[70] proposed changes to the child support system that would allow parents to make their own arrangements for child maintenance, removing the compulsion for parents with care on benefits to apply for child support. The review also proposed a higher level of maintenance disregard in benefit calculations and the introduction of new sanctions.

The reforms could have a significant impact on child poverty if:

- they result in greater co-operation between couples in agreeing and paying maintenance arrangements;
- there is a significant increase in the disregard of maintenance income in benefit calculations; and
- the impact on work incentives is small.

67 Bradshaw J, 2006, *Child Support*, Joseph Rowntree Foundation, p 7.

68 Department for Work and Pensions analysis of the *Family Resources Survey 2004/05*.

69 Jun Rong Chen, quoted in Bradshaw, 2006.

70 Henshaw D, 2006, *Recovering child support: routes to responsibility. Sir David Henshaw's report to the Secretary of State for Work and Pensions* (Cm6894, July 2006), Department for Work and Pensions.

It is very difficult, if not impossible, to estimate with precision the possible behavioural impacts of the changes proposed. The removal of the requirement for parents with care on Income Support to comply with the Child Support Agency may, in itself, prompt some behavioural change. An increase in the level of maintenance income disregarded in benefit calculations would also increase the incentive for the non-resident parent to pay.[71] Currently, fewer than 15 per cent of lone parents on Income Support are receiving any child support. However, with good levels of information and guidance available to parents and improved incentives to pay maintenance, compliance should increase. A wide range of settings, including Children's Centres, existing family support services and advice agencies, need to be involved in proactively engaging parents and providing information, guidance and support. Jobcentre Plus will also have a significant role to play in providing access to advice for parents claiming benefits.

In addition to wider access to information and guidance, tougher sanctions for non-compliance will be necessary. But a wider message that financial support for children after separation is a universal obligation needs to be reflected throughout policy.

An increase in the disregard of maintenance income in benefit calculations would ensure that more maintenance flows directly to the parent with care and would therefore have an immediate impact on child poverty. The impact would be greatest if a 100 per cent disregard was introduced, but any significant increase of the disregard would be an effective way of tackling child poverty as it would particularly benefit those on the lowest incomes.

Increasing the level of out-of-work income by raising the disregard in Income Support could in principle discourage some lone parents from entering employment, although this effect could be partially reduced by having a full disregard of maintenance income for Housing Benefit and Council Tax Benefit (thereby increasing in-work income). However, child support maintenance is an uncertain source of income and as such lone parents will not automatically factor this into their decisions to move into or out of work. In order to maintain work incentives, Jobcentre Plus advisers also need to ensure that all parents with care know that they can retain any maintenance they might receive when they are employed more than 16 hours a week. This should be reflected when advisers undertake better-off calculations.

Recommendation

29. Reforms to the child support system should aim to achieve the maximum impact on child poverty and, to this end, a significantly higher disregard of maintenance income in benefit calculations should be introduced.

[71] Evidence from the United States suggests that this would be the case. See: Miller C, Farrell M, Cancian M and Meyer D R, 2005, *The interaction of Child Support and TANF*: *evidence from samples of current and former welfare recipients*, New York, Manpower Demonstration Research Corporation (MDRC) online, available: www.mdrc.org/publications/397.full.pdf.

8. Delivery

Taken together, these proposals imply a modern, integrated employment and benefits service which:

- is able to provide a flexible, tailored service – drawing together the elements of support that best meet the needs of the individual;
- is attuned to the realities of family life in the 21st century – expects parents to take shared responsibility for their children and is able to take a family focus rather than solely focusing on the benefit claimant;
- is attuned to the local labour market, the demand for skills and the expectations of employers;
- is able to act as a 'broker' between jobseeker and employer to find solutions to barriers to entering, remaining and advancing in work;
- goes beyond a simple 'work first' approach to help individuals get the right job that makes the most of their potential and gives them the best chance of earning a decent wage;
- supports those who are in work to advance; and
- reaches out to those who would benefit from support but are not currently part of existing Welfare to Work programmes, including the inactive and potential second earners.

These characteristics imply major changes for Jobcentre Plus at a time when its future role has already been subject to some speculation.[72] Private and voluntary sector organisations are already being invited to play a much greater role in the delivery of Welfare to Work services, under the roll-out of the Pathways to Work programme. Such organisations may well be better placed to carry out some of the functions outlined above, although there has been no assessment of the capacity of these sectors to deliver such services. Other government bodies also share responsibility for supporting parents to attain the skills that will help them prosper in the labour market and employers also have an important role to play. The delivery of this agenda cannot be met by Jobcentre Plus alone.

It is possible to envisage, in future, either a narrow focus for Jobcentre Plus – which primarily consists of assessing eligibility and contracting other providers to deliver services – or a much broader, expanded role which encapsulates the characteristics listed above. Alternatively, Jobcentre Plus may need to move to a 'broker' role, focusing on providing customers with a single gateway into a system that draws on the range of support, advice and guidance available to jobseekers in the local community, little of which would be provided directly by Jobcentre Plus itself. This would

[72] House of Commons Select Committee, 2006, *The Efficiency Savings Programme in Jobcentre Plus*, Second Report of Session 2005/06.

involve strengthening Jobcentre Plus' partnerships with organisations that are better able to broker packages of support for parents.

These are fundamental questions about the delivery of a major part of the welfare state – the support offered to out-of-work and low-income families. It also brings into focus the responsibilities of employers towards their employees and begs the question of where the state's responsibility for employees' progression in work ends and that of employers begins. But whatever the conclusion about the future role for Jobcentre Plus, there is little doubt that change will be necessary if the child poverty targets are to be met.

Recommendations

30. **The Department for Work and Pensions' plans for the future of Jobcentre Plus should take into account the need for a stronger 'family' focus, the need for more flexibility between programmes and the need to reach more families in order to tackle child poverty.**

31. **It is clear that, if the policy proposals being explored were to be implemented, some would need to be piloted first. There may even be grounds for more devolved solutions to specific challenges (such as in London). The City Strategy pilots may provide an opportunity to test out some innovative ideas.**

9. Getting to 2010 and beyond

Despite the progress already made to date, reaching the 2010 child poverty target will be a difficult task. As this report and other research has shown, it would require a substantial rise in parental employment, a significant increase in tax credit/benefit income for families or, most likely, some combination of the two.

Meeting the 2020 target – or at least reducing child poverty to a level that is among the best in Europe – will entail even greater effort to address the key drivers of child poverty: to break the link between disadvantage in early childhood and poor life chances; to transform the labour market skills of today's and tomorrow's parents; to tackle inherent discrimination and disadvantage in society; and to achieve a fairer distribution of income, wealth and opportunities than current generations have witnessed.

This is no small challenge, and it will need nothing short of a pan-government effort. While the Department for Work and Pensions will play a significant role, by supporting parents into work, it can only deliver part of the solution.

Nevertheless, the steps that the Department takes in coming years will greatly influence the Government's ability to reduce child poverty. The Department could direct its efforts at helping those closest to the poverty line to move into employment in order to help reach the 2010 target in the quickest and most cost-effective way, but there are clear drawbacks to this approach. Diverting attention and resources away from the task of building a system that will ultimately be more effective in helping any parent to move into, and remain in, work would undermine the chances of significantly reducing child poverty in the medium and longer term. What's more, while it may seem superficially attractive to help those closest to the poverty line, such families are most likely to have someone already in work and the Department has little experience of supporting such families.

For these reasons, it would be better to direct efforts towards a long-term strategy that invests in developing a welfare to work system that is more attuned to the needs of all parents, more flexible in the kind of support it offers and able to support parents to progress, as well as enter, work. Such a system would offer families the best chance of an effective and sustainable route out of poverty.

In the short term, as the Joseph Rowntree Foundation has also suggested,[73] faster progress on reducing child poverty is likely to be achieved through increasing benefit/tax credit transfers (see Table 6). For example, nearly one-quarter of the children that need to be lifted out of poverty by 2010 could escape poverty if Child Benefit payments for second and subsequent children were increased to the level for the first child. But, over time, the Government will want to ensure that parental employment plays a bigger role in tackling child poverty, as this offers families the most effective and sustainable route out of poverty. By developing a welfare to work system that is better able to meet the needs of today's families, the Department for Work and Pensions could play a critical role in the Government's wider efforts to eradicate child poverty once and for all.

Table 6: Potential impact of reforms on child poverty

Could have an impact before 2010	More likely to have an impact after 2010
Benefit/tax credit levels	Child support reforms
Childcare	Employment Retention and Advancement Programme
Flexible working	Measures to support the in-work poor
New Deal Plus for Lone Parents	Measures to improve skill levels
Additional support for parents in London	Work-Related Activity Premium
Pathways to Work and greater flexibility in access to condition management	Housing Benefit reform
Wider access to parents via Children's Centres	
Steps to reduce the ethnic minority employment gap	

[73] Hirsch D, 2006, *What would it take to end child poverty? Firing on all cylinders*, Joseph Rowntree Foundation.

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