



House of Commons  
Work and Pensions Committee

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**The best start in life?  
Alleviating  
deprivation, improving  
social mobility and  
eradicating child  
poverty**

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**Second Report of Session 2007–08**

***Volume I***

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## The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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## Summary

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The Government has set itself the challenging target of halving the number of children living in poverty by 2010-11 and eradicating child poverty by 2020. With 2010 fast approaching, Ministers are still committed to the targets – as they have reaffirmed in the Comprehensive Spending Review (CSR), in speeches and in evidence to this inquiry. The Committee wanted to ascertain whether DWP has the right measures in place to meet its objectives. There is no doubt that significant progress has been made. However the target remains challenging: there are still 2.8 million children living in poverty and the most recent data shows a slight increase in this number. We believe the 2010 target could be met, but only if further investment is forthcoming. We make a number of recommendations in this report as to ways in which a package of support and investment could be provided.

We are aware that public sympathy for the poor in the United Kingdom is at a low level. Many assume that poverty is only a problem in developing countries and the UK's economic success means that if someone is poor it must be due to their own poor choices or personal failings. The Government needs to take a lead on challenging these misconceptions. We were convinced by evidence of the damaging effect of poverty on a child's self-esteem and expectations, and also its effects in contributing to social exclusion. Children growing up in poverty are also more likely to have poorer health and poorer educational outcomes.

Good quality childcare can be instrumental in giving children the best start in life and it is essential in encouraging parents, particularly lone parents, back to work. Childcare must be affordable, and parents must be confident about its quality. We hope that implementation of the Childcare Act 2006, which applies to England and Wales, will ensure that the current mismatch between supply and what is needed by parents is addressed. Sure Start Local Programmes have had a beneficial impact on children and parents and have improved many families' access to health, education and financial advice.

We found there are groups of children who have a much higher risk of growing up in poverty, for example if they or a parent are disabled. We were particularly concerned by evidence that 1 in 5 families with a disabled child have had to cut back on food. Poverty rates for Pakistani and Bangladeshi children are twice those amongst white children, whilst black children also experience a higher rate of poverty than their white peers. London experiences particularly high rates of child poverty, and difficulties faced by parents in finding part-time work combined with the higher costs of London childcare are an obstacle to London lone parents returning to work.

We agree that getting parents into sustainable work should be the focus of the strategy to lift them and their children out of poverty. We accept the case for greater conditionality for lone parents, but we are concerned that the Jobseekers' Allowance regime is not sufficiently flexible to reflect the complexity of lone parents' lives, particularly parents of disabled children, and that the sanctions regime as proposed is not in the best interest of children. The "churn" of parents moving in and out of work can have a particularly damaging effect on children's wellbeing and their belief in the value of work. We welcome in-work support for lone parents, and the Government's decision to consult on extending the right to

request flexible working. However we believe Jobcentre Plus could do more to negotiate flexible working on behalf of clients.

While work is the main route out of poverty, having a parent in work is not always a guarantee that the family have been lifted above the poverty threshold, as 50% of poor children live with a parent who is in work. Ensuring that people are better off in work than out of work will improve work incentives and help the Government to meet its 80% employment target and contribute to lifting families out of poverty. We welcome the new “better off in work” credit, but we are concerned that it is insufficient to cover the passported benefits that parents lose or the extra costs that they incur when they take up work. It is a deception to tell people that they are better off in work if this is not the case and some jobs will be unsustainable when this time-limited credit expires.

Even if the Government were to achieve its target of an 80% employment rate, many children would still live in workless households. As we get closer to 2020 and more people move into work, there will remain a core of parents who will be the hardest to help. If the Government is committed to the eradication of child poverty by 2020, we believe it needs a long-term strategy on benefit income for those who are unable to work. If benefits are uprated in line with inflation, the gap between the incomes of those in work and those on benefits will only get wider, as benefits will not keep pace with earnings. As poverty is measured as a percentage of median earnings, the implications for the 2020 target, in particular, are serious.

# 1 Child poverty and the Government target

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## The Government's child poverty strategy

1. In 1999, the then Prime Minister Tony Blair committed the Government to the goal of eradicating child poverty “within a generation”. The pledge was underlined by setting targets and milestones to reduce child poverty on the way to eradicating it. In 2001 the Government published *Tackling Child Poverty: Giving Every Child the Best Possible Start in Life*. This document set out a cross-Government strategy for tackling child poverty, based on:

- “providing more support for family finances;
- giving priority to children’s services, especially health and education;
- offering support to parenting for life;
- pursuing a partnership with the voluntary and community sectors.”<sup>1</sup>

2. This goal was incorporated in the 2002 Spending Review in objectives set for the Department for Work and Pensions (DWP) and HM Treasury (HMT) within the framework of Public Service Agreements (PSA) to reduce the number of children in low-income households by at least a quarter by 2004, as a contribution to the broader target of halving child poverty by 2010-11 and eradicating it by 2020. The commitment to these objectives was subsequently reaffirmed in the 2004 Spending Review.

3. Alongside the 2004 Spending Review the Government published the *Child Poverty Review*.<sup>2</sup> This examined both welfare reform and public service changes necessary to advance towards the long term goal of halving and then eradicating child poverty. Following this review, *Every Child Matters: Change for Children* was published in November 2004, setting out a framework for addressing a wide range of policies for children, including health, education and keeping safe.<sup>3</sup>

4. The 2007 Comprehensive Spending Review (CSR) replaced the PSA targets held jointly by the Treasury and the Department for Work and Pensions with a single PSA with an accompanying Delivery Agreement.<sup>4</sup> The Delivery Agreement for the new PSA states that the Chancellor of the Exchequer, the Secretary of State for Children, Schools and Families and the Secretary of State for Work and Pensions will be jointly responsible for child poverty. However, the Chancellor of the Exchequer is the lead minister for this PSA.

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<sup>1</sup> Department for Work and Pensions, *Tackling Child Poverty: Giving Every Child the Best Possible Start in Life*, December 2001.

<sup>2</sup> HM Treasury, *Child Poverty Review*, July 2004.

<sup>3</sup> HM Government, *Every Child Matters: Change for Children*, 2004.

<sup>4</sup> HM Government, *PSA Delivery Agreement 9: Halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020*, October 2007.

5. With 2010 fast approaching we wanted to ascertain whether the Government is still committed to its ambitious targets; whether DWP has the right measures in place to meet its objectives; and whether the new Child Poverty PSA Delivery Board will enable a positive balance of welfare reform and tackling child poverty to be more effectively delivered.

6. The Committee accordingly undertook an inquiry into *The best start in life? Alleviating deprivation, improving social mobility and eradicating child poverty*, with terms of reference to “assess progress against the Government’s PSA target to halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020; and to what extent the proposals in the Government Report *Working for Children*, in response to the Harker review, are the right way forward.” We are extremely grateful to those who submitted written evidence to the inquiry, and also to those who we invited to provide oral evidence.

7. During the course of the inquiry, we visited Norway, to see what the United Kingdom could learn from the Norwegian social model in combating child poverty. We enclose a note of our visit to Norway as an annex to this report. We are extremely grateful to the British Embassy in Oslo for arranging our visit, and for all the assistance that they provided while we were there. We also visited Cardiff to see the work of the Track 2000 Project and the St Davids 2 Project in supporting lone parents into work and to meet representatives of the Genesis Project which supports parents in overcoming barriers to work and education, in particular helping with childcare. We are very grateful to DWP and Jobcentre Plus staff who facilitated our visit, and to all those who took time to meet us. We also met a number of lone parents who had been helped by the Track 2000 Project to return to the workforce; we are particularly grateful to these parents who spared the time to meet us.

8. We would also like to thank Professor Jonathan Bradshaw of the Social Policy Research Unit, University of York and Professor Gill Scott of Glasgow Caledonian University for assisting us as specialist advisers during the inquiry. We very much appreciate the contribution they made to our work.

## The extent of child poverty

**9. Significant progress has been made in tackling child poverty. In 1998-99 the UK had the worst record on child poverty of any major European nation; there were 3.4 million children living in poverty and child poverty had more than doubled over the previous two decades. Since then this rising trend has been reversed and there are now 600,000 fewer children living in poverty.<sup>5</sup>**

10. However, despite this progress the target set by the Government to reduce child poverty by half by 2010 and eradicating it by 2020 remains challenging as there are still 2.8 million poor children the most recent data from data for 2005-6, published in March 2007, shows a slight increase. The Department stated that “while this rise was not statistically significant it, nonetheless, makes clear how extremely challenging it will be to meet the Government’s target of halving child poverty by 2010.”<sup>6</sup>

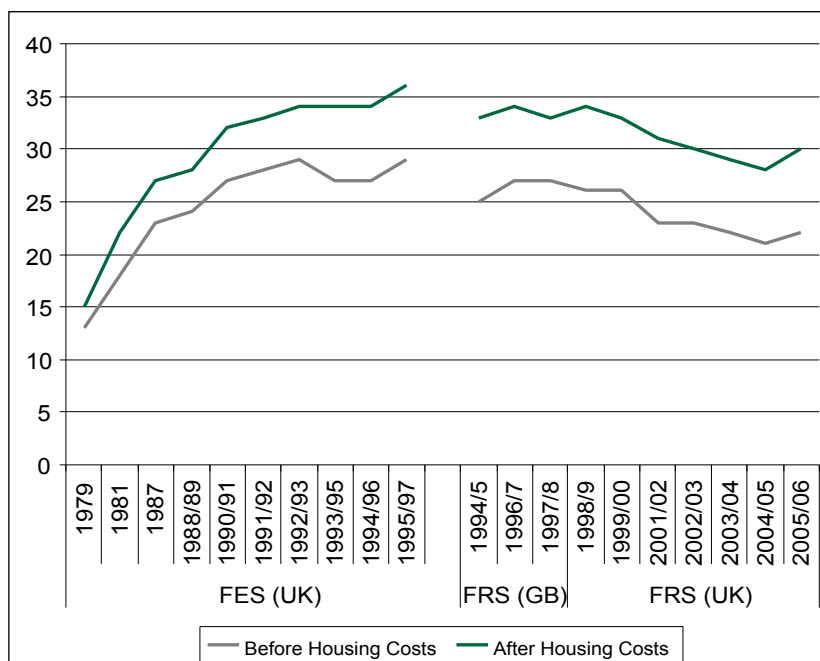
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<sup>5</sup> Ev 131 [DWP]

<sup>6</sup> Ev 133



**Figure 1: Child poverty rates in Britain/UK 1979-2005-6. % children living in households with equivalent incomes less than 60% of the median**



Source: DWP (2007)<sup>7</sup>

## The measurement of child poverty and its relationship to the target

### Measuring child poverty

11. Assessing the progress on any target depends on a baseline measure and then measurement against an agreed set of indicators. The baseline the Government uses to estimate progress is 4.2 million children living in poverty in 1998-99 when measured after housing cost (AHC) and 3.1 million when measured before housing cost (BHC).<sup>8</sup>

12. The Government uses three indicators to assess progress on child poverty.<sup>9</sup> For each indicator income is measured before housing cost (BHC) and adjusted, or equivalised, to take into account variations in both the size and composition of the household. This process reflects that a large family needs a higher income than a single person to enjoy a comparable standard of living— but that there may also be economies of scale – a couple living together do not need the same income as two single people living apart. Several different equivalisation scales exist which adjust for family size in different ways. The Government now uses the modified Organisation for Economic Co-operation and Development (OECD) equivalisation scale, which is employed most often for international comparison. It gives a higher weighting to the needs of young children than the McClements scale, which the Government used before.

<sup>7</sup> Family Expenditure Survey (FES) Family Resources Survey (FRS)

<sup>8</sup> For before housing cost, housing benefit and council tax benefit are counted as income. Housing cost (such as rent, water rates, mortgage interest payments, structural insurance payments and ground rent and service charges) are not deducted from income, while for after housing cost they are. This means that after housing cost incomes will generally be lower than before housing cost.

<sup>9</sup> Department for Work and Pensions, *Measuring Child Poverty*, December 2003.

Figure 2: Comparison of equivalence scales

	McClements scale before housing costs	Modified OECD scale
First Adult	0.61	0.67
Second Adult	0.39	0.33
Each dependant child aged 0-1	0.09	0.20
Each dependant child aged 2-4	0.18	0.20
Each dependent child aged 5-7	0.21	0.20
Each dependent child aged 8-10	0.23	0.20
Each dependent child aged 11-12	0.25	0.20
Each dependent child aged 13-15	0.27	0.20
Each dependent child aged 14-15	0.27	0.33
Each dependent child aged 16 or over	0.36	0.33

Source: Work and Pensions Committee, Second Report of Session 2003-04, *Child Poverty in the UK, HC 85-I*

13. The 2007 CSR announced that the Government remains committed to the indicators and defined them as follows:

- Indicator 1: the number of children in absolute low-income households, defined as households with incomes of less than 60% of median income held constant in real terms from a 1998-99 baseline.
- Indicator 2: the number of children in relative low income households, defined as households with incomes below 60% median income. This measure is the European standard and captures the extent to which incomes of the poorest families are keeping pace with the rising incomes of the population. This is the indicator used for the target to reduce by a half the number of children living in relative low-income by 2010-11; and
- Indicator 3: Material deprivation: a child is considered materially deprived if he or she lives in a family that has a prevalence weighted deprivation score of 25 or more and a household equivalised income below 70% of median income. The child deprivation score is established by asking whether a household lacks each of ten items<sup>10</sup> because they cannot afford it. Each item lacking is weighted by the

<sup>10</sup> They are: a family holiday away from home for at least one week a year; enough bedrooms for every child of 10 or over of a different sex to have their own bedroom; Leisure equipment such as sports equipment or a bicycle; celebrations on special occasion such as birthdays, Christmas or other religious festivals; swimming at least once per month; a hobby or leisure activity; friends around for tea or a snack once a fortnight; toddler group/ nursery/ playgroup at least once per week; go on school trips; outdoor space or facilities to play safely. There are also eleven adult items

proportion of the population that has access to them.<sup>11</sup> DWP believes that “Through this indicator we will be able to focus on families’ ability to afford acceptable standards of housing. In addition, this measure will capture those children in families who are unable to afford the items and activities in the material deprivation indicator because of the high costs they experience.”<sup>12</sup>

14. Each of these three indicators measures something slightly different. The first shows the extent to which the incomes of the poorest families are increasing in real terms. The second measures the difference between the incomes of the poor and an average family. This is particularly important as research shows that children are very conscious of the differences between them and their peers. Although the first two indicators provide only a snapshot of household income, giving only an imperfect proxy to measure children's experience, income is something the Government can affect directly, through measures to increase employment or by increasing benefits.

15. Since both these indicators only measure income and not expenditure or purchasing power, they do not paint a full picture of the nature or extent of poverty. The third measure is an attempt to measure standard of living. Families in different parts of the country will face very different housing and transport costs. Also some poor families pay a "poverty premium", as they are unable to access affordable credit, or obtain discounts by paying by Direct Debit, or buying on-line. They may also face higher utility costs because they use pre-payment meters, or have problems accessing low cost shops. Families with a disabled member may have very high costs, while other families spend a lot of their income servicing debt. However this measure also includes families who can not afford essential items because they choose to spend their income on what could be termed non-essentials. The material deprivation measure is combined with the 70% of median income measure, to exclude those who have a reasonable income but a high expenditure on non-essentials. While this measure may more accurately reflect children's standard of living it is also harder for the Government to influence; the Government can not regulate families' spending decisions, and there may be little they can do about wide variations in the costs different families face.

16. The three ‘tiered’ headline measure of child poverty is underpinned by the *Opportunity for All* report’s multi-dimensional indicators, published annually.<sup>13</sup> Whilst the headline measures of poverty are assessed before housing costs are taken into account, and therefore do not take into account the cost of living in different parts of the country, the *Opportunity for All* indicators do also include income measures after housing costs for Great Britain. The *Opportunity for All* report also presents data on persistent low income – the proportion of children living in low income households in three out of four of the last four years (60 and 70% of the median). Other indicators for children in *Opportunity for All* cover health, housing and education.

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<sup>11</sup> HM Government, *PSA Delivery Agreement 9: Halve the number of children by 2010-11, on the way to eradicating child poverty by 2020*, October 2007.

<sup>12</sup> Ev 148

<sup>13</sup> Department for Work and Pensions, *Opportunity for All*, annual publication since 1999.

### **The 2010 target**

17. We asked witnesses whether they believed that the relative income indicator (indicator 2) set by the Government was the right indicator for the national child poverty target to reduce by a half the number of children living in relative low-income by 2010-11. Most witnesses broadly welcomed the relative income indicator as appropriate and a useful tool to benchmark developments against international comparators.<sup>14</sup> Kate Bell, Head of Policy and Research, One Parent Families|Gingerbread welcomed it as “quite a comprehensive measure” and “probably the best we have got.”<sup>15</sup>

18. In considering the relationship between indicators and target setting Lisa Harker, Co-Director of the Institute for Public Policy Research stressed that “It is always a challenge to find a single target that captures the experience of poverty” and that she “support[ed] the targets as currently set out.”<sup>16</sup> Kate Green, Chief Executive of the Child Poverty Action Group (CPAG) stated “it is very important that they are targets that enable us to benchmark ourselves against international comparators.”<sup>17</sup>

19. However, the Government’s decision to define relative low income as 60% of median income before housing costs, instead of after housing cost was much criticised. Kate Green expressed her disappointment “that the intention now is to measure poverty before housing costs, which naturally fails to capture the additional hardships suffered by families who have higher housing costs.”<sup>18</sup> The TUC argued that when using a poverty measure that took into account families’ housing costs and benefits, there were 3.8 million poor children instead of the Government’s official figure of 2.8 million.<sup>19</sup>

20. The Department noted that “deducting housing costs from income measures can understate the relative standard of living that some individuals may have by paying more for better quality accommodation.” However, it conceded that “income measures that do not deduct housing costs may overstate the living standards of those people whose housing costs are high relative to the quality of their accommodation.”<sup>20</sup>

21. Others have criticised the Government’s income measures as giving a misleading indication of the extent of child poverty. When our inquiry was the subject of a You and Yours BBC Radio 4 programme on 8 January 2008 one listener said “the most important thing is that I feel that relative poverty is something that, as Jesus said, will always be with us. [...] if a child hasn’t got enough food clearly that’s poverty.”<sup>21</sup> Another agreed, saying that “children in the UK are not living in financial poverty at all. As a child in an average family in the 1970s I grew up with a fraction of the money and things that the average child

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<sup>14</sup> Q 108, Q 01, Q 146

<sup>15</sup> Q 108

<sup>16</sup> Q 01

<sup>17</sup> Q 106

<sup>18</sup> Q 106

<sup>19</sup> Ev 07

<sup>20</sup> Ev 148

<sup>21</sup> Ev 175

has today. Most of my toys and many of my clothes were second hand, I never had more than two pairs of shoes either.”<sup>22</sup>

22. Kate Bell of One Parent Families|Gingerbread believes that the new deprivation indicator (indicator 3) as defined in the 2007 CSR which was designed to reveal the extent of material deprivation, might “give a bigger picture of what the experience of poverty actually is.”<sup>23</sup> However, the House of Commons Treasury Select Committee also looked into the new indicator in its recent report on the 2007 CSR, and its evidence suggests that the survey questions used to measure material deprivation had only a limited connection with the economic status of families.<sup>24</sup> The Treasury Committee, whilst supporting a material deprivation indicator, believed there was a risk that consideration of material deprivation would move focus away from the most pressing cases of child poverty. The Committee recommended that the Government set out indicators concerned in particular with the very poorest households.

23. We also received evidence in support of the argument that a clear focus on the poorest was needed. Save the Children believed that “even without any deliberate attempt to focus policy at those just below the poverty line, those in the most severe poverty could be left behind.”<sup>25</sup>

24. However, there are conflicting views on how best to measure severe poverty. Save the Children’s *Severe Poverty in the UK* report defines ‘severe’ poverty as households with very low income (below 50% median income), in combination with material deprivation (deprived of both adult and child necessities, at least one of which shows some degree of severity).<sup>26</sup> This definition goes further than the Government’s deprivation indicator defined as households below 70% median income and in material deprivation and suggests that 10.2% of children in the UK or 1.3 million live in severe poverty. The report also calculates that a family in severe poverty has only £19 per day to cover electricity and gas, phones, other bills, food, clothes, washing, transport, health needs as well as activities for children and all other essential items.

25. Tess Ridge, Lecturer at the University of Bath, was more cautious about focusing too much on the severest poverty, stressing that periods and durations of poverty have a strong impact on children’s experience of poverty:

“There are much more important issues that we also need to consider in terms of duration, for example. There is no bottom group; there is a lot of movement up and down, and periods of duration for children are very important. Two years at a critical time in a child’s life is a very significant experience of poverty, [...]. I am slightly

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<sup>22</sup> Ev 172

<sup>23</sup> Q 108

<sup>24</sup> Treasury Committee, *The 2007 Comprehensive Spending Review: prospects and processes Sixth Report of Session 2006-07*, HC1027, October 2007.

<sup>25</sup> Ev 71

<sup>26</sup> M Magadi, S Middleton, *Severe Poverty in the UK*, Save the Children, 2007.

cautious about focusing too much on what we might determine to be the severest poverty.”<sup>27</sup>

26. She went on to say that children are particularly affected by changes in income, and can find a fall in income particularly traumatic. This fall is often a symptom of "frictional" poverty, short term poverty that occurs when a parent has a gap between jobs or there is a family breakdown. Some families suffer frequent short periods of poverty due to short-term or insecure employment; this is discussed in more detail in Chapter 6. Numbers of children moving repeatedly into and out of poverty are hard to measure. Although the three indicators used by the Government are "snap shot" measures of a family's circumstances on a given day, persistent poverty is measured in the *Opportunity for All* indicators. However, providing more detail on those whose circumstances change frequently would be technically challenging.

**27. The Committee recognises that the measure based on a percentage of median income before housing costs may mask the true extent of child poverty. For the purpose of benchmarking the Government's target against comparators in Europe, it is appropriate to use the European recognised measure of median income before housing cost. However, we believe that DWP should use the after housing cost measure as the basis for the PSA target. We acknowledge that this will make a difference of close to a million more children in poverty which will make it much harder to achieve the target.**

**28. It is important that efforts to meet the 2010 headline targets do not lead to neglecting the worst forms of child poverty in the very poorest households. However, we believe that the multi-dimensional *Opportunity for All* indicators capture the wider picture of the experience of poverty. We recommend that the Government continues to monitor its progress against these indicators.**

### **The 2020 target**

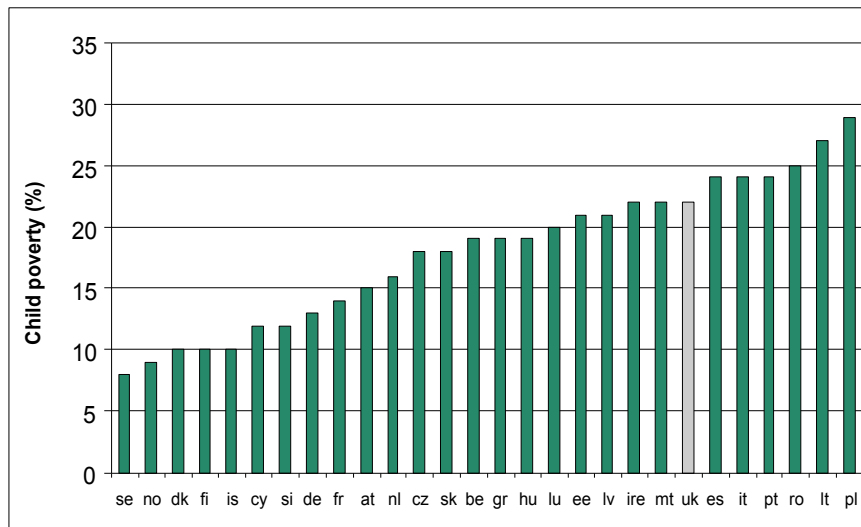
29. Even with an agreement on how poverty should be measured, it is not clear what 'eradicating' child poverty means. The *Measuring Child Poverty* report stated that "Success in eradicating poverty could, then, be interpreted as having a material deprivation child poverty rate that approaches zero and being amongst the best in Europe."<sup>28</sup> An objective to be "amongst the best in Europe" would aim for rates of child poverty (measured as a percentage of children living on less than 60% of median income before housing cost) comparable with levels in 2005 of 8% in Sweden, 9% in Norway and 10% in Denmark (compared with 22% in the UK). The poverty rates for European Union member states (except Bulgaria) and Norway and Iceland are set out in the table below.

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<sup>27</sup> Q 35

<sup>28</sup> Department for Work and Pensions, *Measuring Child Poverty*, December 2003, p 20.

**Figure 3 Child Poverty Rate (less than 60% of the median)**

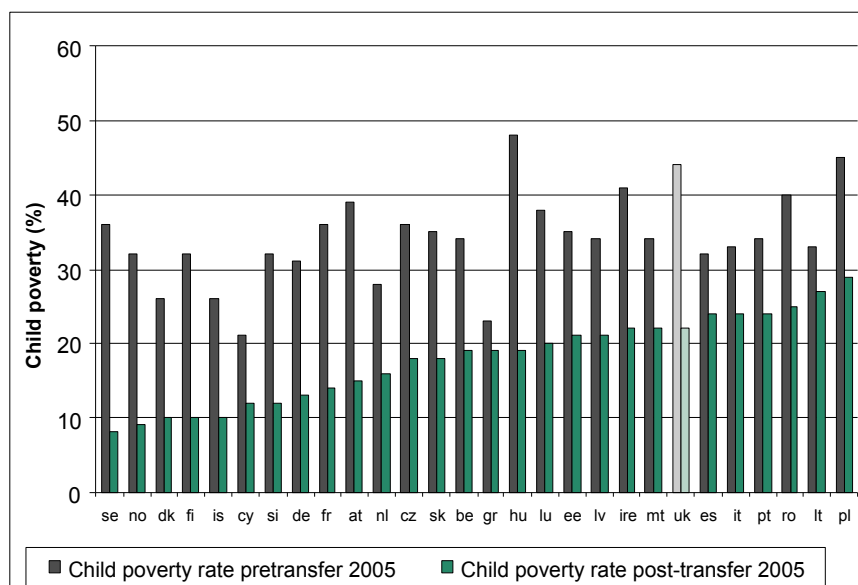


Source: Eurostat 2007

30. This is a comparison based on a relative income threshold. When we show that the child poverty rate is higher in the UK than, say, Latvia, it is important to recognise that we are not comparing the same standard of living but the same relative standard of living. The threshold of 60% of the median in 2005 for a couple with two children was 2777 Euros per year in Latvia compared to 23,579 Euros per year in the UK.

31. Benchmarking the UK's progress in tackling child poverty against the best in Europe should also take into consideration that even the best in Europe are not content with these much lower rates. The table below illustrates relative poverty levels before and after cash benefit transfers. This highlights the role of benefit systems in the Nordic states, including Norway, in delivering the lowest rates of child poverty.

**Figure 4: Child Poverty before and after cash benefits**



Source: Eurostat 2007



32. We urge the Government to state exactly its definition of ‘eradicate’. A child poverty level on a par with the best in Europe (8-10%) would be a significant advance, but the UK still has a long way to go to be amongst the best in Europe. A comparison of poverty before and after cash benefit transfers also shows how it can be done – a number of successful economies in Europe have more generous social policies. However, even the best in Europe are not content with their child poverty levels.

### The 2007 Comprehensive Spending Review: evidence of continuing commitment to the targets?

33. The Government expects the announcements made in Budget 2007, including increasing the child element of the Child Tax Credit by £150 above earnings indexation in April 2008, to lift around 200,000 children out of poverty.<sup>29</sup>

34. *Meeting the Aspirations of the British People*, the 2007 Pre-Budget Report (PBR) and Comprehensive Spending Review (CSR) was published in October 2007.<sup>30</sup> The Government also expects further financial support in the 2007 PBR and CSR to lift around 100,000 additional children out of poverty by 2010 to meet the target. In addition to the £150 increase announced in Budget 2007, the child element of the Child Tax Credit will increase to £175 from April 2008 and to £200 from April 2010 and the child maintenance disregard in the main income related benefits will increase to £20 by the end of 2008, with a further increase to £40 from April 2010.

35. Most witnesses said the announcements were “disappointing” and expressed their concerns over the consequences.<sup>31</sup> Lisa Harker stressed that the Government needs to lift close to a million children out of poverty “so there is quite a big gap yet to be filled.”<sup>32</sup> Mike Brewer, Director of the Direct Tax and Welfare Research Programme at the Institute for Fiscal Studies (IFS) estimated that the Government will probably miss its 2010 target by about 700,000 children in poverty.<sup>33</sup>

36. We asked Jane Kennedy MP, Financial Secretary to the Treasury, about the impact of the CSR announcement on progress towards eradicating child poverty and she said “we accept that that is still short of the target but it is a clear signal, as clear as we have been able to give and we will keep under review that the measures are effective, that this remains a very important target for the Government.”<sup>34</sup>

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<sup>29</sup> HM Treasury, *Budget 2007: Building Britain's long-term future: Prosperity and fairness for families*, HC 342, March 2007.

<sup>30</sup> HM Treasury, *Meeting the Aspirations of the British People: 2007 Pre Budget and Comprehensive Spending Review*, CM 7227, October 2007.

<sup>31</sup> Qq 9, 27

<sup>32</sup> Q 9

<sup>33</sup> Q 31

<sup>34</sup> Q 221



### **Future CSRs and the prospects of meeting the 2010 target**

37. IFS research for the Joseph Rowntree Foundation forecasts that extra spending on the child tax credit of around £3.8 billion pounds a year would be needed to meet the target.<sup>35</sup> Kate Bell told us that “one of the real advantages of the Joseph Rowntree Foundation Report we had last year was that it did set out quite a clear strategy for how that target could be met.”<sup>36</sup> Lisa Harker and Martin Narey stressed that it could still be met if the investment was made.<sup>37</sup> Other witnesses were not convinced that the £3.8 billion investment alone would lift out of poverty those in deepest poverty.<sup>38</sup>

38. The Government has only two more CSRs and PBRs, before the tax credits and benefit rates for April 2010 need to be announced, to find the necessary funds to meet the interim 2010-11 target. The IFS calculated that for the Government to meet its 2010 target it will require child poverty to fall by an average of 200,000 in each of the next five years, after annual falls of less than 100,000 over the past seven years.<sup>39</sup>

39. Jane Kennedy would not commit to further investment and argued that decisions over the next two years depended on developments in the wider economy and employment market. She said “We keep them [benefit and tax credit levels] under review. The answer is, if it becomes apparent that it is necessary to do so that is something we would have to consider.”<sup>40</sup>

40. Mike Brewer was cautious not to criticise the Government for not making this pledge now and advocated waiting first to see how earnings developed. But he stressed that the Government will need to make the investment eventually:

“We should not criticise it completely for not announcing right now what the benefit levels will be in 2010, but if it wants to find that £3.7 billion between now and 2010 its forecasts of tax revenues need to be pessimistic – for the past six years they have been optimistic – or it needs to find savings in the social security budget, which is always possible, or it needs to announce tax rises worth £3.7 billion. There is no other alternative.”<sup>41</sup>

41. Lisa Harker added that the Government is at a critical stage of this strategy. She argued that “the first six or seven years of the 20-year strategy has been about putting in place some measures but it has also been possible to help out of poverty those who are easiest to help”.<sup>42</sup> She stressed that the Government is now at the phase of the strategy where it has to help those who are furthest away from escaping poverty – the more difficult cases – and

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<sup>35</sup> M Brewer, J Browne, H Sutherland, *Microsimulating Child Poverty in 2010 and 2020*, Joseph Rowntree Foundation, York, July 2006.

<sup>36</sup> Q 107

<sup>37</sup> Qq 3, 65

<sup>38</sup> Q 65

<sup>39</sup> M Brewer, A Goodman, A Muriel and L Sibieta, *Poverty and Inequality in the UK*, IFS Briefing Note 73, 2007.

<sup>40</sup> Q 235

<sup>41</sup> Q 31

<sup>42</sup> Q 3

put in place longer-term measures, such as investment in education in the early years, to tackle some of the root causes of poverty and to ensure that the 2020 target can be met.

42. Jane Kennedy stressed that the Government is investing extra money into public services to improve outcomes for poor families, especially education and training:

“It is true that the CSR announced that, compared to 2007, by 2010 the Government will be investing an additional £2 billion a year in public services to alleviate child poverty and break cycles of deprivation, so this will be spending that we will be targeting and focusing particularly on those measures that can be done in the field [...] of education and training and help into work.”<sup>43</sup>

43. Most witnesses stressed the importance of meeting the 2010-11 target for the chances of eradicating child poverty by 2020.<sup>44</sup> There was a strong consensus that if the 2010-11 target was missed, it would be much more difficult to achieve the 2020 target. They particularly stressed the psychological importance of demonstrating that poverty can be tackled.<sup>45</sup> Above all, it is important for the experience of children who are growing up now.

**44. We do not doubt the Government’s commitment to the child poverty strategy. On current projections, the Government will miss the 2010 target by close to a million children in poverty when measured before housing costs and close to two million when measured after. We believe the 2010 target could be met, but only if further investment is forthcoming. We make a number of recommendations in this report as to ways in which a package of support and investment could be made.**

**45. We agree with Lisa Harker’s assessment that the Government should be at “the most expensive stage” of its child poverty strategy – putting in place investment for the short term and long term objectives. We welcome the Government’s additional investment in public services to improve the life chances of children living in poverty.**

## **New directions: the Child Poverty Unit**

46. The 2007 PBR and CSR stressed that DWP plays a critical role in reducing child poverty by helping parents to enter and remain in employment. However, it is also clear that it is not within the Department’s gift to deliver on child poverty alone. DWP is working with the Department for Children, Schools and Families (DCSF) to provide employment and training advice through Sure Start Children’s Centres by strengthening links between Jobcentre Plus, Childcare Partnership Managers and Local Authorities. DWP is also working with the Department for Innovation, Universities and Skills (DIUS) to ensure that employment support is focused not just on job entry, but also on retention and progression. Building on the recommendations of the Leitch Review of Skills, DWP will work with DIUS to develop a new unified employment, skills and career development service for adults.<sup>46</sup>

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<sup>43</sup> Q 224

<sup>44</sup> Qq 106, 109, 146

<sup>45</sup> Qq 109, 113, 146

<sup>46</sup> HM Treasury, *Meeting the Aspirations of the British People: 2007 Pre Budget and Comprehensive Spending Review*, CM 7227, October 2007, p 253.

47. The Government announced the creation of a new Child Poverty Unit in October 2007 bringing together the child poverty policy officials and analysts in DWP and DCSF, along with Neera Sharma on secondment from Barnardo's. DWP told us that the new Unit "will make more efficient and effective use of the talents and expertise of the staff in the two Departments to take the Government's child poverty strategy to its next stage of development."<sup>47</sup> We met the staff of the Unit for a private briefing on its work during the course of the inquiry.

48. The Unit will have four teams covering strategic direction and stakeholder communication, briefing and analysis as well as the expert policy advice provided by the Barnardo's secondee. The role of the Unit is to:

- "provide an integrated approach across Government to tackling child poverty;
- build on the Child Poverty Review, by taking stock and taking forward the strategic direction to eradicate child poverty by 2020;
- engage all our stakeholders, learning from their expertise;
- engage those in local service delivery to take ownership to support our commitments; and,
- undertake research and analysis to support the development of successful policies."<sup>48</sup>

49. Our witnesses welcomed the new Unit, but had many reservations, especially about its remit and the lack of Treasury involvement.<sup>49</sup> Martin Narey, Chief Executive, Barnardo's called the lack of Treasury involvement "a potentially fatal blow"<sup>50</sup> and Jason Strelitz, Policy Advisor, Save the Children said this is "unlikely to help the Unit really progress towards the 2010 goal."<sup>51</sup> Kate Green, Chief Executive, Child Poverty Action Group expressed her concerns over the fact that the Unit is focussing its attention more on the 2020 target than the 2010 target. She said this is perhaps "because the 2010 target is not so much within the gift of the Departments who are Unit members. [...] I think it is important that the Unit has its attention both on the near term and on the 2020 target because the two are really quite inter-dependent."<sup>52</sup> Others were more optimistic and saw real advantages in bringing the two Departments together.<sup>53</sup>

50. DWP and Treasury Ministers assured us that the Treasury is closely working with the Unit and that the Unit is reporting to the cross-Government Child Poverty Board of senior

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<sup>47</sup> Ev 187

<sup>48</sup> Ev 188

<sup>49</sup> Qq 109, 109, 67, 66

<sup>50</sup> Q 66

<sup>51</sup> Q 66

<sup>52</sup> Q 109

<sup>53</sup> Q 109

officials which is chaired by a Treasury official.<sup>54</sup> Jonathan Portes, Director, Children and Poverty Directorate, DWP said of the work of the Child Poverty Board:

“Obviously we have our differences; inevitably that is the process of inter-Departmental discussion, but I can assure you that we are very much joined up on this target.”<sup>55</sup>

**51. Whilst we welcome the assurance that the Child Poverty Unit is working closely with HM Treasury and that the Unit is reporting to the Child Poverty Board, chaired by HM Treasury, we remain concerned about the lack of HM Treasury involvement at operational level in the new Unit, particularly as HMT now leads on the PSA target to halve child poverty by 2010.**

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<sup>54</sup> Q 222

<sup>55</sup> Q 222

## 2 Impact of poverty on children

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52. Research from the Department for Work and Pensions indicates that public sympathy for the poor has declined in the last decade.<sup>56</sup> People are less likely to believe anyone is poor, and are more likely to blame the poor themselves. Research by the Joseph Rowntree Foundation (JRF) tells the same story: *Make Poverty a Story: Understanding and Shaping Attitudes to 21st Century UK Poverty* – suggests that the term “poverty” is not one people find easy to empathise with.<sup>57</sup> Another JRF research project *Understanding Attitudes to Poverty in the UK: Getting the Public’s Attention* shows that the public are currently a long way from supporting an anti-poverty agenda in the UK.<sup>58</sup>

53. The research indicates that the public are not aware of the problem and do not believe that it is a legitimate issue. The key barriers are:

- The word ‘poverty’ gives rise to the wrong associations, for example deprivation in developing countries.
- In the face of globalisation and complex migration, the public feel very wary of offering more help to anyone, in case they are ‘taken for a ride’ by “freeloaders” from abroad.
- Long-term economic stability in the UK means the public tend to feel there is no excuse for poverty; it is the result of bad choices and wrong priorities, and therefore not a subject for public help.
- The public believe that social relations within society are breaking down due to antisocial behaviour; the real problem is seen as ‘emotional’ poverty, not lack of physical or concrete resources.<sup>59</sup>

54. However, evidence suggests, contrary to public perception, that there are many children growing up in poverty who do not get the best start in life. In this chapter we will discuss this evidence and show that the low income of children’s families may be a relative measure, but patterns that prevent children from overcoming disadvantages are many and stark.

55. Poor children suffer specific problems. There is a mass of evidence, reviewed recently in an HM Treasury document, that poor children have constrained lives, poorer health, worse diets, colder and more dilapidated housing conditions, higher risks of accidents and injuries, experience more physical abuse and more bullying and have less access to childcare.<sup>60</sup> They also do less well at school, and their outcomes in terms of skills and employment are worse. Recent work using data from the 1980 birth cohort survey shows

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<sup>56</sup> Polly Toynbee, *Balls’s Bold Plans to End Child Poverty Can Revive Labour*, Guardian, 11 December 2007.

<sup>57</sup> JRF and Ipsos-MORI *Make poverty a story: Understanding and shaping attitudes to 21st century UK poverty*, 2007.

<sup>58</sup> S Castell and J Thompson *Understanding attitudes to poverty in the UK: Getting the publics attention*, JRF and Ipsos MORI 2007.

<sup>59</sup> S Castell and J Thompson *Understanding attitudes to poverty in the UK: Getting the publics attention*, JRF and Ipsos MORI 2007, p vi.

<sup>60</sup> HM Treasury, *Child Poverty Review*, 2004.

that disadvantages at 22 months continue to have an impact on employment and earnings right through to later life.<sup>61</sup>

56. The Department for Work and Pensions acknowledged the lasting impact of poverty on children in its memorandum to the Committee:

“The impact of poverty on children goes well beyond material disadvantage; research has shown that the repercussions of poverty in early childhood continue to be felt into adulthood. Children who experience poverty are more likely to have low self-esteem and lower expectations for their future. They are more likely to be poor themselves and there is a strong association between parental earnings and the earnings of their children when they enter work.”<sup>62</sup>

### Social and economic pressures

57. Children who are living in poverty are under considerable social and economic pressures in their childhood.<sup>63</sup> Without an informed awareness of these pressures, policies directed towards the alleviation of child poverty and social exclusion run the risk of failing to respond adequately to those children's needs.

58. Poor children also have a keen awareness of the lack of income in their households. They are concerned about the adequacy of family income for their needs. They have an overall lack of material goods and childhood possessions that other more affluent children may take for granted including toys, games and appropriate clothing.<sup>64</sup> Tess Ridge, Lecturer at University of Bath, stressed that evidence from her own research shows that children also try to manage the situation of reduced income by lowering their own requirements and needs and trying not to put pressure on their families, adding that “There is an overall problem about trying to manage on something which is inherently inappropriate and inadequate.”<sup>65</sup>

59. She stated that children also report that poverty affects their friendships and social networks. “Friendship is an important social and emotional asset. A key source of social capital. Children in the research studies had struggled particularly hard to maintain social status and stay connected with friends and peers.”<sup>66</sup> She also finds that reduced income affects children’s opportunities for social engagement and shared activities with their peers. It restricts access to opportunities enjoyed by more affluent children, and children report considerable difficulties in meeting activity costs including transport, entrance fees and equipment.<sup>67</sup>

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<sup>61</sup> L Feinstein and J Bynner *The importance of development trajectories in mid childhood: effects on adult outcomes in the UK 1970 Birth Cohort*, Child Development, 75, 5, 2004

<sup>62</sup> Ev 138

<sup>63</sup> Middleton, S. Ashworth, K. & Walker, R. (1994) *Family Fortunes*, London: Child Poverty Action Group; Davis, J. & Ridge, T. (1997) *Same Scenery, Different Lifestyle: Rural children on a low Income*, London: The Children’s Society; Roker, D. (1998) *Worth More Than This. Young People Growing up in Family Poverty*, London: The Children’s Society.

<sup>64</sup> Ev 166

<sup>65</sup> Q 39

<sup>66</sup> Ev 167

<sup>67</sup> Ev 167

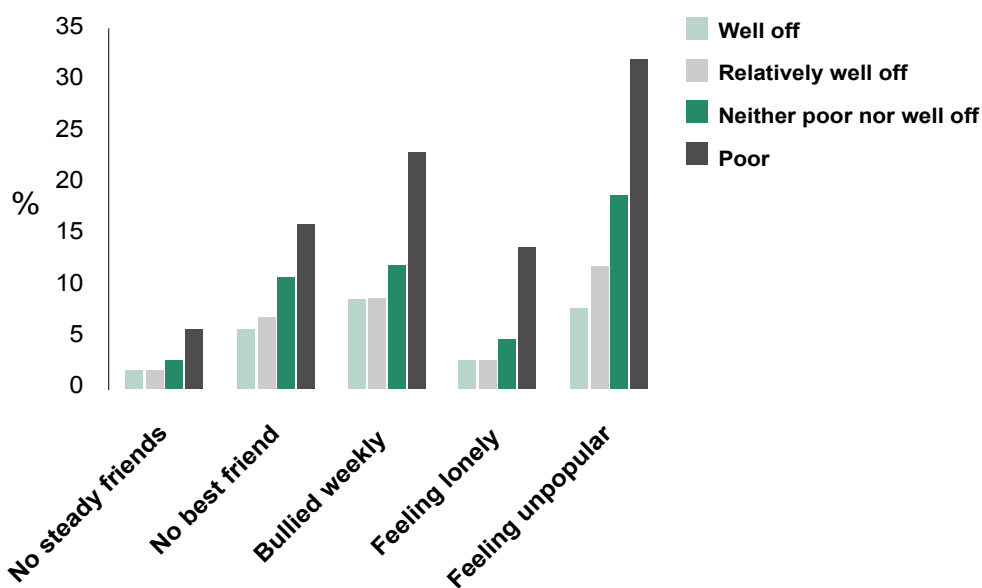
60. Children’s access to affordable and appropriate transport is also an important issue for low-income children, especially those living in rural areas. Without it they are vulnerable to social, and in some instances, geographical isolation.

“Without opportunities to meet and share in social opportunities with friends children report feeling bored, trapped and isolated in their immediate neighbourhoods. Lack of opportunities to socialise with peers also leaves children vulnerable to bullying and isolation.”<sup>68</sup>

61. Tess Ridge’s study also shows that low-income children are aware of the stigma attached to being ‘poor’ in an affluent society. They report feeling fearful about being seen as different and being excluded. Exclusion from opportunities leaves them feeling uncertain, anxious and socially insecure.<sup>69</sup>

62. When the Committee travelled to Norway, it found the same picture there. The tables below, presented to us by Tone Flotten of FAFO, a Norwegian think tank, shows that children from poor families are disproportionately socially excluded:

Figure 5: Social exclusion of children in poverty in Norway

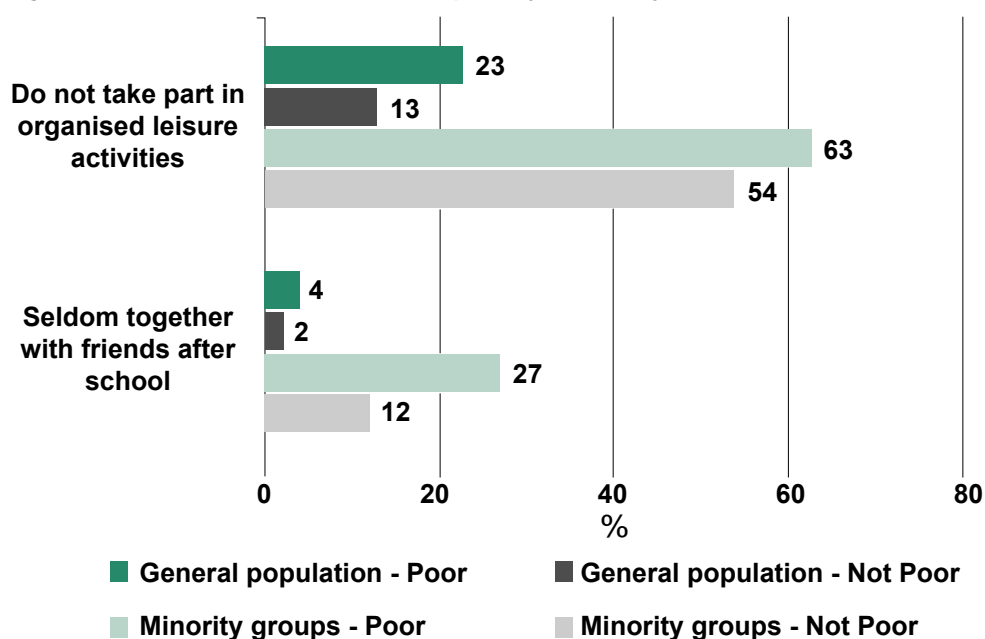


Source: FAFO Norway

<sup>68</sup> Ev 167

<sup>69</sup> Ev 167

Figure 6: Social exclusion of children in poverty in Norway



Source: FAFO Norway

63. In its *Plan of action for combating poverty*, the Norwegian Government stated:

“To fight poverty among children is of high importance both in the short and long run [...] The Government will implement measures to assure that children from poor families are able to participate to the same extent as other children.”<sup>70</sup>

64. We found examples of good practice in addressing problems of social isolation of the poor in Norway from which we could learn more. Some examples of the Norwegian Government’s policies and measures to alleviate the effects of poverty in a non-stigmatised way (schemes organised by the Ministry of Children and Equality and the Directorate for Health and Social Affairs) included the following programmes:

- After school programmes;
- Vacations;
- Participation in culture, sport, etc;
- Contributions to membership fees, admission fees etc;
- Training programmes for unemployed youth;
- Transport and use of equipment to enable young people to participate in extra curricular activities and sport;
- Assisting children and young people in doing their homework;
- Support for children whose parents are mentally ill; and

<sup>70</sup> Plan of action for combating poverty 2006, p5



- Internet cafes.

65. The experience with the programmes has been that they are effective and an immediate response to children's experience of poverty and social exclusion. Every effort is made to ensure that these programmes are offered in a way that does not stigmatise poor children. However, it has been acknowledged that it is difficult to assess the impact of these programmes on tackling poverty.

**66. We urge DWP to work with DCSF, local authorities and other partners to address the socially excluding impact of poverty on children. This must be a priority of the new Child Poverty Unit. Children of low income households need support with a range of activities to prevent the effects of social exclusion. In rural areas this particularly includes help with transport. Such projects must be provided in a non-stigmatising way. We were impressed by the Norwegian Government's initiatives in combating social exclusion and we believe that the Department can learn from these examples.**

## Social mobility

67. A report for the Sutton Trust by researchers from the Centre for Economic Performance at the London School of Economics and Political Science has found that working-class children in Britain are less likely to climb up the social ladder than in any other developed nation.<sup>71</sup> The researchers compared the life chances of British children with those in other advanced countries and found that social mobility in Britain – the way in which a child's social status can alter through the course of their life - is lower than in Canada, Germany, Sweden, Norway, Denmark and Finland. The comparison reveals that the USA and Britain are at the bottom with the lowest social mobility.

68. A further report for the Sutton Trust by researchers of the Centre for Economic Performance shows that there had been a sharp decline in intergenerational income mobility - the ability of children to earn more than their parents - for those born in 1970 compared with those born in 1958.<sup>72</sup> While that decline had not continued between 1970 and 2000, the situation had not significantly improved. Dr Jo Blanden, one of the report's authors said:

“We cannot find any evidence that the sharp drop in mobility observed for children growing up in the 1970s and the 1980s has continued. But nor can we find evidence that mobility has improved.”<sup>73</sup>

The table below reports an example of such a transition matrix for Britain for children born in 1970. It splits each generation's income distribution up into quartiles (each containing 25 percent of people) and sees how much movement there is between quartiles across generations. In a fully mobile society a quarter of the children from each income group would then end up in each quarter of the adult earnings distribution, so every cell

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<sup>71</sup> J Blanden, P Gregg and S Machin *Intergenerational Mobility in Europe and North America* Centre for Economic Performance at LSE, Sutton Trust, April 2005.

<sup>72</sup> J Blanden, S Machin *Recent Changes in Intergenerational Mobility in Britain* Centre for Economic Performance at LSE, Sutton Trust, December 2007.

<sup>73</sup> <http://uk.reuters.com/article/lifestyleMolt/idUKL1360747020071213>

would contain a .25. The table makes it clear that, for the cohort born in 1970, 38% remained in the poorest quarter as adults. Far more of the most affluent quarter remains in the top quarter in the next generation than would occur with perfect mobility, whilst only 16% of the poorest made it to be among the most affluent as adults.

**Figure 7: Transition Matrix for Sons born in 1970**

Parental income quartile when son aged 16	Sons' earnings quartile when aged 30 in 2000			
	Bottom	2 <sup>nd</sup>	3 <sup>rd</sup>	Top
Bottom	.38	.25	.21	.16
2 <sup>nd</sup>	.29	.28	.26	.17
3 <sup>rd</sup>	.22	.26	.28	.25
Top	.11	.22	.24	.42

Data drawn from the British Cohort Study.

## Factors influencing social mobility

69. Several recent Government studies have looked into the factors influencing social mobility. *Reaching Out: Think Family* a Cabinet Office study concluded that parental and wider family problems such as poverty, parental worklessness, lack of qualifications, parental mental health, substance abuse, poor housing, and contact with the criminal justice system can cast a shadow that spans whole lifetimes and passes down the generations:

“They [some family experiences] can limit aspiration, reinforce cycles of poverty, and provide poor models of behaviour that can impact on a child's development and well-being, with significant costs for public services and the wider community.”<sup>74</sup>

70. DWP study *Factors Influencing Social Mobility* comes to similar conclusions but makes the point that although the exploration of the range of factors influencing social mobility reveals some important themes, the complex relationship between these means that it is inappropriate to make firm judgements about the relative importance of one or another of them: “In reality, they work in overlapping ways and in different combinations for different individuals.”<sup>75</sup>

71. The factors the review considered were:

- Social capital – a lack of positive role models, peer pressure, poverty of ambition and risk aversion may serve as barriers to social mobility. By contrast middle-class families tend to have access to a wider range of social networks that are more

<sup>74</sup> Cabinet Office Social Exclusion Task Force *Reaching Out: Think Family*, June 2007, p 1.

<sup>75</sup> Dr. Alex Nunn, Dr. Steve Johnson, Dr. Surya Monro, Dr. Tim Bickerstaffe and Sarah Kelsey *Factors Influencing Social Mobility* DWP Research Report No 450, 2007, p 3.

advantageous from the point of view of enabling upward mobility and protecting against downward mobility.

- Cultural capital – middle-class families can confer social advantages on their children, increasing their potential to move upwards and protecting them from downwards movement.
- Early years influences - the quality of the home environment, family structure, pre-school care and relationships with caring adults produce a pattern of development in later life that is hard to reverse even through schooling.
- Education – education appears to be one of the most important factors influencing social mobility.
- Employment and labour market experiences – recent decades have seen the emergence of important labour market trends with implications for social mobility. First, substantial levels of worklessness and long-term economic inactivity have emerged in some areas and/or among specific population groups. Second, research has identified the emergence of a prominent ‘low-pay – no-pay’ cycle for some groups. There is also evidence that specific groups face particular disadvantages in the labour market and that women who take career breaks often have difficulty re-entering the labour market in the same position and therefore, frequently experience downward social mobility after having children.
- Health and wellbeing – ill-health results from social and environmental factors identified with lower socio-economic status, and ill-health and caring responsibilities can lead to declining socio-economic status.
- Area-based influences – for example, inequalities in access to private transport combined with poorer quality provision in some important public services in deprived areas may mean that lower socio-economic classes are unable to exercise effective choices over access to these services.<sup>76</sup>

72. Our inquiry has confirmed for us the factors influencing social mobility identified by the Cabinet Office. Fran Bennett also identified a particular factor that mothers often become downwardly socially mobile when they have children.<sup>77</sup>

### **Factors influencing educational attainment**

73. There is strong evidence that education is key to social mobility. The Sutton Trust study states that "The strength of the relationship between educational attainment and family income, especially for access to higher education, is at the heart of Britain's low mobility culture and what sets us apart from other European and North American countries."<sup>78</sup>

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<sup>76</sup> Dr. Alex Nunn, Dr. Steve Johnson, Dr. Surya Monro, Dr. Tim Bickerstaffe and Sarah Kelsey *Factors Influencing Social Mobility* DWP Research Report No 450, 2007, p 3 ff.

<sup>77</sup> Q 50

<sup>78</sup> J Blanden, S Machin *Recent Changes in Intergenerational Mobility in Britain* Centre for Economic Performance at LSE, Sutton Trust, 2007

74. Barnardo's also argued that in the UK, poverty predicts educational outcomes more strongly than in any other OECD country.<sup>79</sup> It claims that inequalities in educational outcomes can be seen in children as young as two, and continue to grow throughout their school careers and points out that only a quarter of students receiving free school meals gain five good GCSEs or equivalent, compared to over half of the overall population.

75. The Sutton Trust study confirms that income of parents is still the biggest predictor of school achievement, the likelihood of getting a degree and even a child's behaviour.<sup>80</sup> Children born in 2000 to the lowest income households and who scored some of the best results in tests at age three had, by the age of five, fallen behind. By the age of seven, they had been overtaken by the pupils from the wealthiest homes, who had come bottom in the tests at age three. The study found that 44% of young people from the richest fifth of the population had a degree in 2002, compared with only 10% from the poorest fifth.

**76. We conclude that whilst social mobility in the United Kingdom is both lower than in most other developed countries and has declined since the 1950s, a majority of people in the bottom income group still manage to move up to a higher income group.**

**77. We recommend that the Child Poverty Unit dedicates a team to look into factors influencing social mobility and how the Departments can better work together to address the relationship of income and educational attainment. This is key to allowing children the best start in life.**

### **Factors influencing educational aspirations**

78. Many anti-poverty policy measures intended to address children's social and developmental needs have been directed through schools. These have tended to focus on improving literacy and numeracy standards and on tackling truancy and school exclusions. However, whilst these are important issues in children's lives, we have also heard that the degree of social inclusion that children experience within school is an important consideration.

79. The lack of opportunities to join in with social opportunities and activities all have an effect on children's well-being and self esteem and attainment within school.<sup>81</sup> Children were limited in their aspirations, not because they were not aspirational and did not have the same hopes for their futures as others, but rather because they experienced exclusion within school from wider social and educational activities.

80. Kate Green told us about the findings of a recently published CPAG study *Chicken and Egg* on child poverty and educational inequalities.<sup>82</sup> The work drew attention to the connection between families with inadequate incomes and the educational outcomes that their children experienced. She said that children in low income families experienced exclusion from extracurricular activities, for example:

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<sup>79</sup> Ev 63

<sup>80</sup> J Blanden, S Machin *Recent Changes in Intergenerational Mobility in Britain* Centre for Economic Performance at LSE, Sutton Trust, 2007

<sup>81</sup> Q 121, 44, 122

<sup>82</sup> D Hirsch, *Chicken and Egg: Child Poverty and Educational Inequalities*, CPAG Policy Briefing, September 2007.

“The music lessons, the photography lessons, the out of school trips, the trip to the museum, not to mention the extra coaching which many better off parents would pay for, and the access to equipment to do homework and a quiet space in which to do homework.”<sup>83</sup>

81. Tess Ridge states that children are often excluded within school from activities that are essential for receiving a good education:

“Those are things like being able to go on school trips, to afford the appropriate uniform and clothing so that the child does not stand out from others and feels uncomfortable [...]. There are problems within school where we have to think about children’s engagement and inclusion as being particularly important in terms of what they aspire to in school and how much they feel part of the process.”<sup>84</sup>

82. Tess Ridge’s research shows that children are excluding themselves from participating in those activities. She states that “Half of the children were not going on school trips with their peers, and were therefore regularly missing out on shared social and educational experiences. Some children were excluding themselves from school trips by not taking letters home, feeling that the cost was too high even to approach their parents.”<sup>85</sup>

83. Kate Bell told us that children “are saying things like, ‘I didn’t want to ask mum if I could go on the school trip because I knew she wouldn’t be able to afford that’, and ‘Of course, I never thought I could have music lessons’.”<sup>86</sup> She stressed that children themselves are very aware of the stress that their parents are under, and of their parents’ financial circumstances.

84. Kate Bell also emphasised that it is this awareness of financial constraints that limits children’s aspirations, “not a failure of their parents to think, ‘You can be an engineer’. It is very much knowing the things available to other children are not available to them, and that is because of parental income, not because of a lack of ambition.”<sup>87</sup>

**85. We are concerned about the extent to which the additional costs related to education affect poor families. Children are missing out on experiences such as school trips and music lessons essential for a good education because of financial constraints. It is often children’s awareness of the financial constraints facing their parents which has a negative impact on their aspirations.**

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<sup>83</sup> Q 121

<sup>84</sup> Q 44

<sup>85</sup> Ev 167

<sup>86</sup> Q 122

<sup>87</sup> Q 122

## 3 The best start in life: childcare

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### Childcare

86. The availability of quality, affordable, childcare is essential to any effort to encourage lone parents or second earners to return to work. Good quality childcare also provides children from all backgrounds with an experience which can enhance their social and educational development. DWP has met its PSA target to increase the number of OFSTED registered places by 10% by 2008.<sup>88</sup> However, there is clearly a mismatch between what has been provided and what parents require. The *2007 Children's Nurseries Report* shows that vacancy rates in the UK are 22.5%.<sup>89</sup>

87. During the course of the inquiry we received evidence that there is still a shortage of suitable, affordable, quality childcare. This chapter looks at the evidence we have received about a range of problems with the childcare on offer, including costs, quality, availability in deprived areas, flexibility and opening hours, in addition to particular problems affecting children with disabilities.

88. The Childcare Act 2006 requires English local authorities to assess the availability and demand for childcare in their areas, including:

- the number of places;
- the times of day that care is provided;
- the range of session lengths;
- the provision of specialist care for children with special educational needs and disabled children;
- the number of places provided but not being used; and
- the range of charges payable in respect of childcare, and parents' ability to pay the charges.<sup>90</sup>

89. The local authority then has a duty to ensure that the demand they have identified is met. Jobcentre Plus are designated as 'partners' of local authorities in relation to these new duties. Every Jobcentre Plus District has at least one Childcare Partnership Manager whose role is to take a strategic overview of childcare provision in the area.

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<sup>88</sup> Based on the March 2004 baseline of 1,103,000 places Ev 136

<sup>89</sup> The regional breakdown is as follows: North 27.5%, Yorks and Humberside 24.0%, North West 23.0%, West Midlands 21.5%, East Midlands 21.0%, East Anglia 23.5%, Northern Home Counties 21.5%, Greater London 17.5%, Southern Home Counties 24.0%, South West 30.0%.

The number of registered childcare places in London increased by 17,500 between March 2005 and March 2007. The number of registered childcare places in England overall increased by 106,500 over the same time period. The data collected does not differentiate between full- and part time places."

<sup>90</sup> Statutory Instrument 2007 No. 463 children and young persons, England The Childcare Act 2006 (Childcare Assessments) Regulations 2007 [http://www.opsi.gov.uk/si/si2007/uksi\\_20070463\\_en\\_1](http://www.opsi.gov.uk/si/si2007/uksi_20070463_en_1)

90. The regulatory impact assessment for the Childcare Act 2006 states that:

“The Government is committed to ensuring that the duties under the Childcare Act 2006 do not place new, unfunded burdens on local authorities.[...] The Government’s funding of childcare and early years services is significantly expanding. Funding rises to £1.8 billion in 2007-08, around double the 2004-05 outturn figure of £928m. [...] Given the level of funding and the increase in flexibility around how local authorities can spend this money, local authorities should be confident that the necessary resources are available to meet the costs of the duties.”<sup>91</sup>

### **Childcare: quality**

91. The National Childminding Association argued that quality childcare was beneficial for children’s development, and that it could help overcome the disadvantage suffered by children from less advantaged backgrounds. It noted that:

“Children from less advantaged backgrounds typically start school already at a developmental and cognitive disadvantage, which tends to be compounded over time. Providing a quality childcare environment can have a powerful remedial effect, reducing that relative disadvantage substantially. Children from poor households that have attended a quality childcare setting (be it a childminder, a nursery or a pre-school) during the first few years of life will on average perform almost as well as children from more privileged backgrounds and far better than those that did not attend childcare settings or attended poor-quality settings.”<sup>92</sup>

92. Save the Children agreed that “childcare services can be a vehicle for improving children’s lives” but believed that “investment in high quality, professional, trained staff” was required.<sup>93</sup> However this quality of care is not available to all parents. Some witnesses suggested that the Government’s focus on childcare quality was inadequate:

“If we are concerned about childcare simply as a vehicle for helping people get back into work, we will end up missing an important part of the discussion[...] childcare services can be a vehicle for improving children’s lives but that requires investment in high quality, professional, trained staff.”<sup>94</sup>

93. Save the Children also questioned whether quality was a key concern of the Government, given its focus on ensuring the number of places available was sufficient to allow lone parents to be moved onto Jobseeker’s Allowance.<sup>95</sup>

94. The Daycare Trust found that 15% of non working parents could not find or afford quality care, but in addition 64% of parents had a preference for parental care.<sup>96</sup> On our

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<sup>91</sup> Regulatory Impact Assessment for The Childcare Act 2006 (Childcare Assessment) Regulations 2007 [http://www.opsi.gov.uk/si/si2007/em/uksiem\\_20070463\\_en.pdf](http://www.opsi.gov.uk/si/si2007/em/uksiem_20070463_en.pdf)

<sup>92</sup> Ev 67

<sup>93</sup> Q 98

<sup>94</sup> Q 98

<sup>95</sup> Q 98

<sup>96</sup> *Childcare Nation? Progress on the childcare strategy and priorities for the future*. October 2007



visit to Norway we were impressed by the quality of their child care delivery system, and the trust which parents had in the childcare provided. Each kindergarten has to have a certain number of qualified graduate teachers, in addition to a certain number of ancillary staff who work on the premises.

95. On our visit to Cardiff we were told that poor pay meant that childcare providers were not able to attract top quality applicants and that this had an impact upon the quality of care available. The Daycare Trust told us that “some providers, particularly in disadvantaged areas, will need financial support to achieve a well-paid, well-qualified workforce.”<sup>97</sup>

96. Doreen Kenny, Senior Policy Officer from the Greater London Authority (GLA), also told us that quality could not be improved without more investment in training:

“We do have to recognize that childcare is costly and labour intensive and if we want to improve the quality of care, which means more professional staff, then the cost is going to go up. Inevitably that means there does need to be more government resources going into support it. The private sector just cannot make a profit in a lot of these areas.”<sup>98</sup>

97. When the Minister, Caroline Flint, was asked whether the vacancies were due to parents’ concerns over quality she said “I am sure in some cases that might be the case based on the experience that they have” but continued that affordability, a preference for informal care, and concerns about the values children would be exposed to also have to be taken into account.<sup>99</sup>

98. On 11 December the Secretary of State for Children Schools and Families, Ed Balls MP announced the *Children’s Plan*, which includes a pledge to “boost the graduate leader fund so that every full day care setting will be led by a graduate by 2015, with two graduates per setting in disadvantaged areas.”<sup>100</sup>

**99. High quality childcare has a role to play in ensuring that children from disadvantaged backgrounds receive the best start in life. Many parents have concerns about the quality of some of the childcare that is available at the moment. The quality of provision is closely linked to the level of training staff have received. We welcome the announcement in the Children’s Plan of at least two graduates in every full daycare setting in the most disadvantaged areas. However, we also recognise that there is a difficult balance to be struck between quality and affordability. We are worried about the impact of employing more graduate staff on the cost of childcare, and we ask the Government to send us details of its assessment of the effect of its announcements in the Children’s Plan on cost, affordability and take-up of childcare amongst low-income families.**

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<sup>97</sup> Ev 150

<sup>98</sup> Q 168

<sup>99</sup> Q 286

<sup>100</sup> [http://www.dfes.gov.uk/publications/childrensplan/downloads/The\\_Childrens\\_Plan.pdf](http://www.dfes.gov.uk/publications/childrensplan/downloads/The_Childrens_Plan.pdf)



### *Childcare: flexibility*

100. One obstacle for many, in particular lone, parents returning to work is a mismatch between the hours childcare is available, and the hours a parent may wish to work. Keith Faulkner attributed the high vacancy rate to “a serious mismatch between what the childcare facility offers and what the labour market demands of people moving into work”.<sup>101</sup> He gave us an example:

“In one of the local authorities we worked with when we were advocating the development of children’s centres and the more flexible facilities they provide, they said, ‘There is no way we are going to support that because we have excellent childcare facilities here that we support and we do have a whole number of vacancies.’ That was a seaside resort where most of the jobs were in leisure and tourism and retail. The moment we said, ‘What facilities are there on Saturdays and Sundays?’ the answer was, ‘Oh, no, it’s nine to five Mondays to Fridays.’ There was absolutely no match between the facilities and the jobs that were suitable and available.”<sup>102</sup>

101. The Daycare Trust did not believe that the situation was improving:

“Little progress has been made towards meeting the needs of families requiring childcare at atypical hours and during school holidays. A significant minority of families continue to experience problems with childcare at these times. The evidence from providers confirms this shortfall in provision and suggests that market forces (alone) are unlikely to lead to an increase in supply in line with parents’ needs, and (further) government intervention is likely to be required.”<sup>103</sup>

102. The Genesis Project in Cardiff told us how difficult it was to address this problem. There are small numbers of children who would use childcare in the evening or at weekends; and such a service, if provided for these small numbers, would be too expensive for the parents concerned. There would be problems recruiting and retaining staff to work unsocial hours, and a need to seek revised planning permission for premises. Childminders who want to look after children overnight have to meet additional legal and regulatory standards, which cause “significant additional costs”.<sup>104</sup> In addition childminders may not be interested in this work:

“Childminders usually enter this area of work as they often have their own children which they look after with others until they go to school. Most childminders do not wish to work in the evenings or weekends [...] In Cardiff we attempted to pilot out of hours childcare with only one childminder coming forward out of over 500 registered preschool and school age registered childcare providers”.<sup>105</sup>

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<sup>101</sup> Q 166

<sup>102</sup> Q 166

<sup>103</sup> Ev 150

<sup>104</sup> Ev 189

<sup>105</sup> Ev 189

103. Opening hours are not the only problem with childcare. There were also problems with childcare closing during holidays; the percentage of nurseries open in the holidays has actually fallen, from 97% to 72% since 2001. Some providers also refuse to take children part time. Alex Bax of the GLA noted the difficulties that this caused to lone parents who wanted to work part-time, but could only find full time childcare.<sup>106</sup>

104. In London, the Childcare Affordability Programme Pilots have also sought to address this problem, but it has been necessary to subsidise providers who provide part time or flexible places.<sup>107</sup> The Minister accepted that there were problems with atypical hours provision, Jane Kennedy told us:

“We need to go where the parents tell us they want to be. Where people are working out of hours and shifts, I know the pressures that that brings to bear on working families. We need to be constantly looking at what is on offer. [...] We know what we want to get to. We just have to acknowledge that there is still some progress to be made.”<sup>108</sup>

105. She also told us that these problems would be difficult to solve:

“There are very difficult questions around what we do to help parents who work out of school hours. A lot of parents choose work that fits within the child care that is available but there are those who cannot. A lot of people work in the health service, for example, who work shifts, nurses and others, who have to provide services to hospitals and the like and who have these commitments. I am not sure of the answer to that.”<sup>109</sup>

**106. Availability of childcare is a problem for parents working a-typical or part-time hours and for all working parents during school holidays. We welcome the duty in the Childcare Act 2006 on local authorities in England and Wales to address these issues. However it is clear to us that problems may not be easy to overcome.**

### ***Childcare: Sure Start and social mobility***

107. Sure Start Local Programmes (SSLPs) have been part of a major strategic effort by the Government towards ending child poverty. By changing the way services were delivered to children under four and their families, through targeting and empowering highly-deprived small geographic areas, SSLPs were intended to enhance child, family and community functioning. The Sure Start holistic approach has been evaluated since its inception in 2001 at both local and national level by the Institute of for the Study of Children, Families and Social Issues at Birkbeck University of London.

108. The evaluations provide many examples of successful development and impact on children, parenting, parent’s soft skills and family use of a range of services such as health,

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<sup>106</sup> Q 149

<sup>107</sup> Q 156

<sup>108</sup> Q 290

<sup>109</sup> Q 291

education and financial advice.<sup>110</sup> The national evaluation, though, has also found significant variation in programme delivery between local areas. It also reports more beneficial results for moderately rather than severely disadvantaged families but says this may be due to variations in local resources, professional involvement and method of implementation.

109. DWP has worked closely with Sure Start to help them reach disadvantaged families who may not be in contact with Jobcentre Plus. In many areas lone parent advisers are based in Sure Start centres and offer direct advice to parents.

**110. We recommend that the Government continues to roll out Sure Start programmes and other community based methods of reaching severely disadvantaged parents, involving Jobcentre staff directly, and that assessment of the impact on poverty eradication should remain a key feature of any evaluation of the service.**

### **Childcare: deprived areas**

111. While there may be a high rate of vacancies amongst childcare providers across the country, at the local level there are still shortages, particularly in deprived areas. The Daycare Trust told us that:

“Evidence clearly points to the existence of two distinct childcare markets. More affluent areas are mainly served by private providers, with services shaped by market forces [...] Deprived areas have been reliant on government intervention and initiatives such as the Neighbourhood Nurseries Initiative (NNI) and children’s centres to address market imperfections and the reluctance of private providers to establish themselves in disadvantaged areas. This has brought about a significant increase in supply in deprived areas and has also resulted in more flexible provision than is available via private providers. However particular concerns remain about the viability of provision in the most deprived areas, once the start up funding provided by government initiatives runs out.”<sup>111</sup>

112. Martin Narey told us that nurseries were already closing in deprived areas:

“We have evidence that in some disadvantaged communities nurseries are closing and that subsidy for attendance at nurseries may be tailing off, so it is becoming more difficult for families to send their children there. I think it is a very patchy issue and I do not think there is any evidence of a surplus of affordable childcare in areas of significant disadvantage.”<sup>112</sup>

113. The Genesis Project in Cardiff told us of the problems that they had in addressing shortages in deprived areas:

“In areas which suffer from a range multiple deprivation factors, where there are the highest numbers of workless families, there also tends to be less childcare available.

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<sup>110</sup> *Early Impacts of Sure Start Local Programmes on Children and Families - Full Report*  
<http://www.ness.bbk.ac.uk/documents/activities/impact/1183.pdf>

<sup>111</sup> Ev 149

<sup>112</sup> Q 99

If we are to stimulate the market for potential providers to set up preschool and school age childcare in these areas a range of incentives would be required such as start up grants, long term financial support and assistance with finding suitable premises. The funding currently provided through local authorities is insufficient to impact on the development of new childcare places required without a significant increase in financial resources. The lack of suitable community facilities or premises in these areas, which could feasibly be converted for childcare, further compounds the problem.”<sup>113</sup>

**114. There is evidence of a problem with childcare in deprived areas. Some nurseries may not be sustainable without continuing Government funding. DWP must work with DCSF to ensure there is no reduction in provision, we expect this to be a priority of the new Child Poverty Unit.**

### **Childcare: costs**

115. The Daycare Trust found that 15% of non working parents did not work because childcare costs meant it was not worthwhile and an additional 10% did not work because they could not afford childcare of good enough quality.<sup>114</sup> As a solution to this problem some witnesses argued that tax credits should cover the full cost of childcare, not 80% as they do at present. Tax credits pay 80% of up to £175 for the first child and 80% of up to £300 for two or more children. With the average cost of a childcare place at £152 that leaves an average parent to find £30.40 for the first child, or £64 for two children. Martin Narey said:

“It is worrying to us that the initial subsidies that those nurseries were able to offer to children with deprived backgrounds are tailing off and prices are tending to increase and that will shut access to the childcare. [...] Even with 80% of childcare costs met, the average childcare place of £152 a week is a very, very significant amount of money for a family living with very little income.”<sup>115</sup>

116. We also heard extensive criticism of the fact that the £300 limit does not increase for the third and subsequent child;<sup>116</sup> a parent of three children would have to find £216 a week. This clearly affects larger families who are at particular risk of poverty.

117. According to Jane Kennedy:

“The reason we have the 80% premium is to encourage somebody who is going to use formal child care, perhaps registered child care. We want them to go and shop around because having to find 20% of it is an incentive for them if they get 80% of it. We think it is a fair balance to strike.”<sup>117</sup>

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<sup>113</sup> Ev 189

<sup>114</sup> *Childcare Nation? Progress on the childcare strategy and priorities for the future*. October 2007

<sup>115</sup> Q 100

<sup>116</sup> Ev 155

<sup>117</sup> Q 293

118. The amount of free childcare available to parents is increasing. The Government has announced it will provide 15 hours a week of free childcare for all 3 and 4 year olds, and free places for 20,000 two year olds in the most disadvantaged communities.<sup>118</sup>

119. Parents who do have to pay for childcare can claim childcare tax credit, but this requires them to work out their costs, which are then averaged over a year. For a parent of a preschool child this is not a problem as their costs remain relatively constant. But the costs for a child who is in school for most of the year, but in paid for provision during the holidays will vary a lot. A parent starting work at the beginning of the summer holidays would be faced with an upfront bill gradually repaid through tax credits over the next year. A parent starting work just after the summer holiday would be expected to know whether their child would be in childcare for each of the holidays for the next year, who would provide that childcare and how much it would cost. Alternatively they could wait until the holidays to make a claim, but would have to find the money upfront.

120. There is also evidence that the take-up of the Childcare element of Working Tax credit may be very low.<sup>119</sup>

**121. We welcome the duty in the Childcare Act 2006 on local authorities in England and Wales to assess availability of, and demand for, childcare in their areas. There is clearly a significant mismatch at present between the supply of places and what parents need, but the precise reasons for this mismatch are not yet clear. Until the effects of implementation of the Childcare Act are known, we do not yet recommend major changes in policy. However, it is clear that there are a number of factors which must be considered by local authorities as they analyse the situation in their area. The relative importance of quality, flexibility and cost must be quantified. We ask the Government to ensure that the conclusions of local authorities on this issue are collated and published as soon as they are available.**

**122. We recognise the role of the 80% rule on the Childcare Element of Tax Credit in making parents shop around for childcare, however finding 20% of the cost is a challenge for those on the lowest incomes. So that parents don't end up paying increasing amounts, the £175 and £300 limits must be uprated to reflect the changing cost of childcare. We recommend that the Government investigate the impact on employment and poverty rates, and the cost of new higher limits to the Childcare Element of Tax Credit for families with more than two children. This assessment should be made available to the Committee.**

**123. We urge the Department to work with the Treasury to monitor take up of the Childcare Element of Tax Credit, identify the reasons for any problems, and keep the Committee informed of its findings. One contributory factor to low take up may be that the credit is designed for people with a relatively consistent pattern of expenditure. It does not seem designed for parents using care mostly or entirely in school holidays, and the way in which it is administered opens up scope for the poorest and most vulnerable parents to get into financial difficulty. We urge the Government to explore**

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<sup>118</sup> Hansard 11 December 2007 Column 161

<sup>119</sup> Hansard 16 January 2008 320WH

ways in which the administration of the Childcare Element of Tax Credits could be altered to reduce this danger.

## Older children

### *Older children: lack of places*

124. The number of childcare places for school age children is particularly limited. This can act both as a barrier to employment, or can leave children unsupervised, or supervised by older children (usually siblings). The Daycare Trust stressed the detrimental effect this could have on older children:

“For example evidence from the US showed that mothers’ attendance on work programmes had a positive effect on school achievement for children aged two to nine. However, the effect on their children who were aged from ten to sixteen was less positive with below-average school performance and slightly increased likelihood of repeating a grade or needing special education classes. The adolescents concerned seemed to be those with younger siblings, suggesting they may be looking after themselves and taking on early childcare responsibilities because of their mothers’ work. We also know that it is often at this age that those children and young adults who, left unsupervised and outside any formal setting after school, are more at risk of getting into trouble in the crucial hours after school and before their parents return from work.”<sup>120</sup>

125. The Government’s proposals for extended school hours will offer provision from at least 8am to 6pm, before and after the school day and during the school holidays. This provision will either be on the school site or at a nearby school or local provider. If it is not on the school site, the school will be expected to make sure there are supervised travel arrangements for young children. There may also be the choice of home-based (childminding) or community-based (out-of-school club) childcare. By 2010 all children aged between 3 and 14 (16 for children with special educational needs or disabilities) will have access to the provision. The Department notes that “schools will always try to keep costs to parents to a minimum. Some parents may be eligible for the childcare element of the working tax credit to help support some of the costs of the childcare.”<sup>121</sup> Extended schools are not being introduced in Scotland.

126. The CSR announced that some provision would be available free for pupils eligible for Free School Meals:

“To ensure that all pupils, regardless of income, are able to benefit from participation in a full range of extended activities, the DCSF settlement includes £217 million a year by 2010-11 to support access to two hours a week of free extended activities for

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<sup>120</sup> Daycare Trust’s response to the Green Paper *In work better off: next steps to full employment*.  
[http://www.daycaretrust.org.uk/mod/fileman/files/In\\_work\\_better\\_off.doc](http://www.daycaretrust.org.uk/mod/fileman/files/In_work_better_off.doc)

<sup>121</sup> <http://www.parentscentre.gov.uk/educationandlearning/schoollife/schooladministration/extendedschools/>

pupils eligible for Free School Meals, with two weeks of free part-time provision during the holidays.”<sup>122</sup>

127. Linked to concerns about funding, we heard that there were already problems of low quality and stigmatising provision. Tess Ridge’s research with children aged 8-14 has indicated that children were unhappy:

“Most children experiencing formal out of school care were unhappy with it, indicating that it was often inappropriate, and unsuitable. Their concerns coalesced around poor service provision, badly mixed age groups and a lack of stimulation resulting in boredom. Despite the importance of schools for childcare provision After-school Clubs and Breakfast Clubs generally had a poor image amongst children in the sample. Breakfast Clubs in particular were seen as highly stigmatised and undesirable ‘Breakfast Club is for scabs’ was one response.”<sup>123</sup>

128. Alex Bax of the GLA added:

“As a parent in Hackney I observe, of the children who go the pre-school breakfast club, that other children notice who they are and something is made of it sometimes. It is an issue, where there is not a universal provision and different people get in for different reasons, that it does lead to stigma, undoubtedly.”<sup>124</sup>

129. Tess Ridge believed that a child’s unhappiness with childcare provision could act as a disincentive to work, and that working parents would be disinclined to work beyond the core school day if their children were unhappy in extended school care.<sup>125</sup>

**130. We welcome extended schools although we have a range of concerns. The CSR provides for two free hours a week, plus two weeks part time during the holidays. We welcome this as an inclusive measure and an opportunity for poor children to take part in a range of activities. However this would still leave a lone parent facing a considerable bill to have their child looked after during school holidays. Extended Schools provision must be high quality to ensure that children wish to attend. There is already evidence that in some areas this is not happening and provision is becoming stigmatised. This is bad for children’s well being and will, in the longer term act as a disincentive to work for their parents. We also urge the Child Poverty Unit to keep the pricing levels for extended schools under close review.**

### **Older children: education and social mobility**

131. The Government announced a new PSA target in the 2007 CSR. PSA 11, to be lead by the DCSF is to:

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<sup>122</sup> 2007 Pre-Budget Report and Comprehensive Spending Review, Meeting the aspirations of the British people, [http://www.hm-treasury.gov.uk/media/7/4/pbr\\_csr07\\_completereport\\_1546.pdf](http://www.hm-treasury.gov.uk/media/7/4/pbr_csr07_completereport_1546.pdf)

<sup>123</sup> Ridge, T (2007) *It’s a Family Affair: Low-Income Children’s Perspectives on Maternal Work* Journal of Social Policy 36/3

<sup>124</sup> Q 174

<sup>125</sup> Ref: Ridge, T (2007) *It’s a Family Affair: Low-Income Children’s Perspectives on Maternal Work* Journal of Social Policy 36/3



“To narrow the gap in educational achievement between children from low-income and disadvantaged backgrounds and their peers. Recognising that this is a persistent problem, which must be tackled to raise social mobility, the PSA sets national targets focused on individual pupil-level progression and will drive improvement for the most vulnerable, such as young people in care.”<sup>126</sup>

132. Narrowing the gap would be one way to improve social mobility. The Centre for the Economics of Education suggested that if policy makers wish to increase social mobility then this research suggests a need for resources to be directed at programmes to improve the outcomes of those from deprived backgrounds.<sup>127</sup> This can be done either by universal interventions that are more effective for poor children, for example high quality pre-school childcare and the UK literacy hour, or by directing resources exclusively at poorer individuals, schools or communities. They emphasised that these programmes should not be focussed exclusively on cognitive abilities but also towards self-esteem, personal efficacy and concentration.<sup>128</sup>

133. CPAG highlighted the costs which schools pass onto parents, forcing the poorest children to miss out on vital school experiences:

“Education should be free at the point of delivery. Too often it is not. Research for the Department for Education and Skills published in 2004 found that £736.22 was spent per child on schooling, including trips and activities; contributions to school funds; meals; and travel”.<sup>129</sup>

134. This figure also includes uniform costs. Research by Citizens Advice showed that 40% of LEAs provided no help at all with school clothing, a situation that has worsened significantly since 2001.<sup>130</sup> CPAG told us of the effect of the costs of education on the experiences of children in poverty:

“Spending levels are key for two reasons: first, spending may open up new opportunities for children (e.g., trips and activities) and so if income precludes spending, affected children will be denied the experiences open to many of their peers. Second, parents make sacrifices themselves to give the maximum opportunities to their children so spending on schooling may be at the expense of other necessary outgoings.”<sup>131</sup>

**135. We welcome new PSA 11 to tackle the gap in educational attainment between disadvantaged children and their peers. Ensuring that poor children are not socially excluded at school, and ensuring that education is free at the point of delivery is vital to improve social mobility, and must be a priority of the new Child Poverty Unit. The concerns of poor children and their families such as uniform costs, school uniform**

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<sup>126</sup> 2007 Pre-Budget Report and Comprehensive Spending Review, *Meeting the aspirations of the British people*, [http://www.hm-treasury.gov.uk/media/7/4/pbr\\_csr07\\_completereport\\_1546.pdf](http://www.hm-treasury.gov.uk/media/7/4/pbr_csr07_completereport_1546.pdf)

<sup>127</sup> Ev 163

<sup>128</sup> Ev 163

<sup>129</sup> Ev 119

<sup>130</sup> Ev 119

<sup>131</sup> Ev 119



grants, provisions of free school meals in a stigmatising way, and “voluntary contributions” for school trips, must be given a much higher priority.

## Disabled children

### *Disabled children: childcare*

136. The Daycare Trust survey of parents who were not working because of childcare problems found that 9% said their child had a long-term illness, disability or special educational need. Parents of disabled children face particular difficulties in finding suitable childcare places for their children. Barnardo’s noted that:

“While the Childcare Act 2006 contains a welcome requirement on local authorities to provide sufficient childcare for disabled children there is currently evidence of significant gaps. For example a National Audit Office report revealed that childcare settings are advertising themselves as accessible for disabled children when many only actually offer one place suitable for a disabled child.”<sup>132</sup>

137. Official statistics may therefore overestimate the extent of provision for disabled children. Both Barnardo’s and EDCM told us that where childcare for disabled children was available it was more expensive; 60% of parents of disabled children were asked to pay a premium to cover their child’s disability.<sup>133</sup> In some cases they were asked for 5 times as much as for non-disabled children.

138. The Minister told us in some cases these extra charges were unfair:

“I am not saying for all but in some cases there are costs that child care providers are asking for that, when it comes down to it, are over and above what is absolutely necessary to support that child [some parents] felt they were charged just because their child was disabled and there was no real way that they could be accounted for by the amount they were being asked to pay over and above.”<sup>134</sup>

139. EDCM, Family Fund, and others all called for the Childcare element of Working Tax credit to be increased to 80% of £300 for a disabled child. At the moment disabled and non disabled children have the same limit of 80% of £175. EDCM told us that this would still leave disabled children worse off than others:

“We would want the childcare element of working tax credit to meet the actual cost of childcare for families with disabled children. If the Government moved to the top limit for our families to £300 and retained the 80% that would be a very reasonable outcome. It would not be ideal but it would go a long way towards supporting families.”<sup>135</sup>

140. Jane Kennedy acknowledged that this was an area that needed to be looked at:

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<sup>132</sup> Q 76

<sup>133</sup> Ev 61

<sup>134</sup> Q 292

<sup>135</sup> Q 103

“There are extra elements that families get if they have a disabled child or a child with severe disability. Some local authorities do more for families in certain circumstances. There may even be some PCTs that do more. At the moment we do not direct more and maybe that is something that, as a result of your inquiry, we need to look at.”<sup>136</sup>

### **Disabled children: education**

141. EDCM welcomed the Government’s commitment to provide extended schools for disabled children up to the age of 16.<sup>137</sup> However, we heard evidence of shortcomings in the education provided for disabled children and children with special educational needs. Scope, Treehouse and Working Families told us that:

“Insufficient specialist training for teachers in SEN and disability leaves teachers lacking the necessary skills to meet the needs of disabled children. This undoubtedly contributes to the disproportionately high rates of exclusion of disabled pupils. Disabled children are 16 times more likely to be excluded from schools than non-disabled children.”<sup>138</sup>

142. Schools often also place demands on the parents of disabled children. EDCM told us that parents are asked to:

“Step in at a moment’s notice and, for instance, come to school every lunchtime, as some families regularly are asked to do, particularly if their child has an autistic spectrum disorder.”<sup>139</sup>

143. This makes it very difficult or impossible for parents to work. EDCM recognised the work being done by DCFS to address the needs of disabled families but added that:

“The evidence from the Council for Disabled Children is that extended schools and children’s centres are really struggling to meet the needs of children with special educational needs and disabilities and we need a real focus on delivering that commitment over the next few years if it is going to mean anything to families.”<sup>140</sup>

**144. We welcome the Minister’s commitment to look at unfair premiums in childcare costs for disabled children. However many disabled children do require more care and, even without unfair premiums, childcare for disabled children will be more expensive and difficult to find. Parents need help to pay these costs, and we recommend that the Government consider and publish the effects of an increase in the upper limit of the Childcare Element of Working Tax Credit to £300 for disabled children.**

**145. DWP must work with DCFS and the devolved administrations to tackle school exclusion rates for disabled children, both to improve those children’s life chances and**

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<sup>136</sup> Q 293

<sup>137</sup> Q 101

<sup>138</sup> Ev 51

<sup>139</sup> Q 102

<sup>140</sup> Q 101

**to enable their parents to return to work. They must also work to ensure that parents are not used to cover gaps in school provision for disabled children. The Government should publish a strategy for tackling exclusion rates for disabled children.**

## Childcare in London

146. There is a particular problem in London. HM Treasury's *Employment opportunity for all: tackling worklessness in London* stated:

“Firstly, greater competition for low-skilled jobs in London means the market is less willing to pay the additional costs faced by low-skilled mothers who must pay for childcare. Second, more mothers in London depend on paid childcare, and the costs of paid childcare in London are higher. Together these two factors mean that, in order to have equivalent gains to work as mothers elsewhere, mothers in London have to compete for jobs higher up the earnings distribution. Those who cannot do so cannot work.”<sup>141</sup>

147. Despite these problems with affordability London has a lower vacancy rate than the rest of the UK. Richard Exell of the TUC told us that:

“Part of the reason the figures are lower in London is because people live further from their parents in London [...] Mothers trust their mothers, and they trust their next door neighbour because they have seen how she looks after her own children. People will trust informal providers very often in a way that they will not trust formal providers. But in London, where people are less likely perhaps to know their neighbours and to live further away from their own parents, they do not have the informal alternative to such a great extent.”<sup>142</sup>

148. This lack of informal care provides an additional barrier to work for those who will not use formal care. One of the major work disincentives for mothers and lone parents is concern about what will happen if their child is ill. Parents in London are less likely to have anyone to fall back on if their child is ill. Ms Bell told us:

“It is the childcare issue, it is what happens when your child is sick off school. Lots and lots of parents have said to us, parents who are out of work as well, ‘I’m scared about taking a job because what if I need to take a day off because my child is sick?’”<sup>143</sup>

149. The Mayor of London's memorandum echoes these points and states that in London:

“Not only are places harder to find, they are also more expensive: figures from the Daycare Trust suggest that the price per hour for a nursery place for a child under 2 is 34% higher in London than the rest of the country. In response to this, the Mayor has established the Childcare Affordability Programme to help parents pay for childcare costs with £22m funding from the London Development Agency and £11m

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<sup>141</sup> *Employment opportunity for all: tackling worklessness in London* (March 2007) [http://www.hm-treasury.gov.uk/media/B/8/bud07\\_london\\_1421.pdf](http://www.hm-treasury.gov.uk/media/B/8/bud07_london_1421.pdf) pg 59

<sup>142</sup> Q 170

<sup>143</sup> Q 127

from DCSF. But Government needs to do more to simplify support for childcare costs.”<sup>144</sup>

### **Childcare Affordability Programme pilots**

150. In November 2005 the Mayor and Beverley Hughes, Minister of State for Children, Young People and Families, announced the Mayor's Childcare Affordability Programme. This has now been extended to provide around 10,000 places. In order to be eligible for the programme, parents need to be receiving child tax credits of more than £547.50 a year.

151. The Childcare Affordability Programme provides a subsidy directly to nurseries to allow them to offer a number of daycare places for low and middle income families capped at £175 a week. The subsidy is capped to prevent nurseries inflating their prices. Additional subsidies are available to allow providers to offer more flexible hours to meet the needs of parents who work part time or who work unsociable hours. Doreen Kenny of the GLA told us that the programmes are still being piloted and they are still learning from them:

“The Childcare Affordability Programme is a set of pilots, so it is testing out different ways of subsidising childcare for poorer families. It is in the process of learning all the time how things might be improved. The cap on the funding was to make sure that nurseries did not simply put up their costs because they were getting a subsidy. Things are improving all the time, I think. One of the lessons that has been learned is the popularity of flexible childcare. This goes along with the whole part-time issue that nurseries, up to now, have not been that flexible about the way they supply childcare[...] The second phase of the programme is going on to look at the transition into employment, so it is helping parents train and get ready for employment, providing the continuity of childcare during that phase and then once they go into work.”<sup>145</sup>

152. The Government will also pilot providing up front financial support for childcare costs for qualifying lone parents in London from April 2008.<sup>146</sup>

**153. Lower levels of access to informal care in London cause particular problems in getting certain groups into work, as without the option of informal care, parents face particular difficulties when their children are sick. Lone parents in London are more reliant on formal childcare than in the rest of the country, and that childcare is also more expensive. The cost of childcare is also a significant problem in London and we welcome the Childcare Affordability Programme pilots. We urge the Department to examine the pilots to assess whether measures could be rolled out nationwide to cap the amount low income parents pay for childcare.**

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<sup>144</sup> Ev 103

<sup>145</sup> Q 156

<sup>146</sup> Ready for work: full employment in our generation  
<http://www.dwp.gov.uk/welfarereform/readyforwork/readyforwork>.

## 4 High risk groups

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154. The previous Committee's 2004 *Child Poverty in the UK* report identified the causes of poverty as, worklessness, transitions, and income inadequacy.<sup>147</sup> We explore the link between worklessness and poverty in Chapter 5 and examine the initiatives of the Government's employment strategy and welfare reform proposals directed at reducing worklessness. We also examine the link between "churn" (when people transition in and out of work) and child poverty in Chapter 6. Chapters 7 and 8 examine the link between poverty and income inadequacy both for those who are in work and those who are reliant on benefits. However, these problems do not affect all people equally. It is clear that some groups are disproportionately affected by some or all of these causes. These groups at particular risk of poverty include: lone parents; families affected by disability; ethnic minorities; families in London and large families.

155. The Institute for Fiscal Studies (IFS) has analysed which groups have shown the biggest falls in poverty so far.<sup>148</sup> It suggests that the biggest fall in the risk of falling into poverty has been among those groups which have benefited most from increased child-contingent support through tax credits and out-of-work benefits with the largest effects occurring amongst large families, workless lone-parents and couples with only one full-time earner.

156. However it is clear that the risk of poverty is still disproportionately higher for certain groups in the population. The Government is moving away from tailored solutions and towards more personalised support (discussed in more detail in Chapter 5). It needs to ensure that personalised support is available that meets the particular needs of individuals from these groups.

### Lone parents

157. Notwithstanding the findings of the IFS, and despite an increase in the employment rate of lone parents by 12.5 percentage points since 1997, to 57.2%.<sup>149</sup> Lone parents account for 25% of families but make up 40% of all poor families.<sup>150</sup> The reason for this is their lower employment rate, just over 50% of lone parents work, while over 90% of couple families have at least one parent in work.<sup>151</sup> As a result, 33% of poor children live with a lone parent who is not in work, while only 17% of poor children live in workless couple families. Addressing lone parent poverty is therefore crucial to meeting the Government's target. The Government has introduced a range of measures to try to address this, particularly moving lone parents off Income Support and onto Jobseekers' Allowance, and improving access to childcare. These measures are discussed in detail in Chapters 5 and 3 of this report respectively.

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<sup>147</sup> *Child Poverty in the UK*, Second Report of the Committee, Session 2003-4 HC85-i

<sup>148</sup> Ev 40

<sup>149</sup> Ev 133

<sup>150</sup> HBAI 2055-6

<sup>151</sup> HBAI 2005-6

## Families with disabled children and families with disabled parents

158. It is clear to us that a child is far more likely to grow up in poverty if they, or a parent, is disabled. According to DWP figures 11% of children in poverty are disabled.<sup>152</sup> The extent of poverty amongst families with disabled children is concealed when poverty is measured with a relative income measure. Income measures do not take into account all the extra costs of bringing up a disabled child. Many disabled children and children with disabled parents do not show up in the poverty figures because they receive Disability Living Allowance (DLA). This is counted as income and means that, on paper, they appear better off than the non-disabled. However, DLA is paid to cover the additional costs of living with a disability, and we heard that in many cases it does not even cover these costs.<sup>153</sup> Every Disabled Child Matters (EDCM) reported that:

“When a ‘material deprivation’ approach is taken, which reflects the additional costs families with disabled children face, 93% of families with disabled children report financial difficulties. One in five families with disabled children have had to cut back on food as a result of the costs of bringing up their disabled child or children.”<sup>154</sup>

159. Furthermore, 26% of poor children live with a disabled adult.<sup>155</sup> The number of children in poverty whose parent(s) are claiming Incapacity Benefits is estimated at 200,000 (around 7% of poor children). However, Incapacity Benefit is an out of work benefit; many disabled adults work, and not all disabled people are eligible for or claim disability benefits.<sup>156</sup> When parents are asked if they consider themselves disabled the numbers are much higher;<sup>157</sup> as many as 28% of lone parents have “common mental health problems”.<sup>158</sup> As with disabled children it is likely that many of these disabled adults incur extra costs because of their disability. As a result when a ‘material deprivation’ approach is taken the numbers living in poverty will be higher. Their disability will also make it harder for those disabled parents who are unemployed to find work and may limit their ability to increase their hours or progress in work.

**160. We are very concerned by evidence that 1 in 5 families with disabled children have had to cut back on food. In and out of work benefits must be set at a level to cover the extra costs of living with disability and ensure a decent standard of living.**

### Adequacy of DLA

161. Increasing the rate of DLA would help not only families with disabled children but also children of disabled parents and children living with other disabled adults. Steven Broach of EDCM argued that there needed to be:

<sup>152</sup> HBAI 2005-6

<sup>153</sup> Ev 47

<sup>154</sup> Ev 47

<sup>155</sup> HBAI 2005-6 The figures do not break down whether the disabled person is a parents, other relative or non relative.

<sup>156</sup> *Working for Children* Pg 36 <http://www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty.pdf>

<sup>157</sup> *Delivering on Child Poverty-: what would it take?* A report for the Department for Work and Pensions

by Lisa Harker pg 46 <http://www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf>

<sup>158</sup> Ev 81

“Increases in the rates of Disability Living Allowance which we know are way below the additional costs that families of disabled children face. The Disability Alliance estimate that an uplift in the region of 30 to 50% would be needed just to begin to get the benefit levels up to the reality of the costs that they are supposed to be helping families meet.”<sup>159</sup>

The Minister, Caroline Flint, stressed the increase that had been made to disability benefits:

“We spend about a billion annually on disability living allowance for children and that figure is increasing. We have announced a review of the national carers’ strategy which we are working on at the moment, and that looks to be being published in the spring of 2008.”<sup>160</sup>

162. She believed that support for disabled people had “increased significantly over the last ten years”.<sup>161</sup> However, the Treasury Minister Jane Kennedy acknowledged that in light of the evidence the Committee had received, particularly about families having to cut back on food, the level of DLA may need to be reviewed:

“The point you make about the evidence the Committee has heard about children with disabilities is something we will both want to consider when we are looking at issuing a report and considering the evidence that comes with it. We want to be satisfied that what we put in place will help families in those circumstances. If it does not, we will need to review it. The Committee will want to look at the whole range of support that we have in place now, going forward.”<sup>162</sup>

163. EDCM highlighted problems with takeup of DLA, as many families with disabled children are not aware they are eligible.<sup>163</sup> They also suggested that winter fuel payments should be extended to parents of disabled children, particularly those with disabled children under 5 who are at home all day.<sup>164</sup>

**164. We believe that Disability Living Allowance must be reviewed to ensure it more closely reflects the additional cost of disability.**

**165. DWP needs to take steps to improve the take-up of Disability Living Allowance amongst both disabled adults and the parents of disabled children.**

**166. We also recommend that the Government considers extending winter fuel payments to families with disabled children under five in receipt of Disability Living Allowance at the middle or higher rate.**

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<sup>159</sup> Q 87

<sup>160</sup> Q 236

<sup>161</sup> Q 237

<sup>162</sup> Q 237

<sup>163</sup> Ev 50

<sup>164</sup> Ev 50



### *Parents of disabled children: the Government's approach*

167. The Department takes a “work first” approach to the parents of disabled children. It outlined the additional money that had been invested in childcare for disabled children to enable their parents to work:

“The additional caring responsibilities, and in particular the cost and availability of suitable childcare, are additional barriers to employment faced by parents of disabled children. The Disabled Children Review found that many parents were finding it hard to access appropriate childcare and so, in June, the Government announced a childcare accessibility project as part of the £340 million package to help disabled children. £35 million will be invested over the next three years to find the best ways of meeting provision for disabled children.”<sup>165</sup>

168. 85% of parents of disabled children want to work, either full or part time, and would welcome this.<sup>166</sup> EDCM told us that:

“The vast majority of the families we speak to do want to be in work for exactly those reasons, both financial but also emotional and self-esteem issues for the family and the parents.”<sup>167</sup>

169. Parents of disabled children have lower rates of employment than others. The employment rate for mothers of disabled children is about 16% compared with 61% for other mothers.<sup>168</sup> However, the employment rate for fathers of disabled children is only a little below that for other fathers, and most of them work full time.<sup>169</sup>

170. In addition some families with a disabled child, particularly the most ill or most disabled have good reason not to work:

“There will always be some parents of disabled children, particularly those who have perhaps life-limiting conditions, who absolutely want to be at home to stay with that child, and that should be their right, so we do need a system that is sensitive enough and flexible enough that it can support the minority of parents with disabled children who are genuinely either unable or reasonably unwilling to work whilst also promoting and encouraging those parents who do want to go to work.”<sup>170</sup>

171. We put these concerns to the Treasury Minister Jane Kennedy, who said the Government had accepted that some parents of disabled children had valid reasons not to work and this was why lone parents receiving Carers Allowance for a disabled child would be able to stay on Income Support.<sup>171</sup> However, we then asked her whether parents of terminally ill children who did not work would be adequately supported so that they can

<sup>165</sup> Ev 135

<sup>166</sup> Ev 58

<sup>167</sup> Q 75

<sup>168</sup> Ev 47

<sup>169</sup> Department for Work and Pensions Research Report No 460 - *Disability and caring among families with children, Family employment and poverty characteristics*, by Stephen McKay and Adele Atkinson

<sup>170</sup> Q 75

<sup>171</sup> Q 236



live a life free from poverty. The Minister said it was not possible to give a yes or no answer: the priority was still to get parents into work, but those who chose not to would be supported in ways other than income:

“Our priority is to assist the families who are telling us they want to work. There are families in all sorts of different circumstances who face that and would find work as a means of support for them as an individual as well as for the family. For those who simply choose not to do it, there are other ways that we can help them with carers, assistants and others.”<sup>172</sup>

**172. Many parents of severely disabled and terminally ill children are not able to work because of their caring responsibilities; in many cases, if this care were to be provided by the state it would cost several times the amount paid to the families in benefits.**

### **Barriers to work for disabled adults**

173. The Committee explored the barriers to work for disabled adults in its report *Incapacity Benefits and Pathways to Work*.<sup>173</sup> The report looked at a range of issues including the new Employment and Support Allowance, Pathways to work, and discrimination. In their evidence to our current inquiry, Remploy and Barnardo’s stressed that the employment barriers faced by disabled people are compounded by a widespread lack of opportunity for disabled people to undertake education and training and vocational qualifications.<sup>174</sup> Remploy stated that access to extra-curricular activities and training is more restricted for people with impairments, often resulting in individuals studying courses not suited to local labour market demands. Training issues are particularly important as many disabled people have low skills; disabled people account for a third of all people with no formal qualifications.

174. In its response to our report *Full employment and world class skills: Responding to the challenges*, the Government said that:

“The Government’s aim is to include equality and diversity considerations within mainstream policy development and delivery. By focusing investment on people with no or low qualifications the Government’s response to the Leitch review aims to help the most disadvantaged people, regardless of their individual characteristics. As adults with a disability are less likely to have Level 2 qualifications, they are more likely to benefit from this approach. ...The Government recognises the importance of first steps in return to learning and wants to ensure that people with disabilities can access courses, as much as an issue of social justice as anything else. These important first steps can lead to greater commitment and enthusiasm for learning and are key in helping people address their learning needs and skills.”<sup>175</sup>

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<sup>172</sup> Q 239

<sup>173</sup> Work and Pensions Committee, *Incapacity Benefits and Pathways to Work*, Third Report of the Session 2005-6 HC616-i

<sup>174</sup> Ev 62, 38

<sup>175</sup> *Full employment and world class skills: Responding to the challenges: Government Response to the Committee's Eighth Report of Session 2006-07* HC 217

## Ethnic minority families

175. Although 14% of children in the UK are non-white, 24% of poor children are non-white.<sup>176</sup> Pakistani and Bangladeshi children are more than twice as likely to live in poverty as white children; black children have a lower rate of poverty, but still significantly above that of white children. Barnardo's told us:

“Modelling by the Institute for Fiscal Studies for “It Doesn't Happen Here” also revealed that on current policies poverty rates amongst these groups are likely to rise significantly with 40,000 more poor Pakistani and Bangladeshi children in 2010 compared to 2004-05 and 10,000 more black or black British children in 2010 compared to 2004-05.”<sup>177</sup>

176. Many of the problems affecting ethnic minority families are the problems affecting all families. Raising benefit levels and improving access to childcare affects all children regardless of ethnic background. Other measures particularly affect certain groups; 69% of Black African and Black Caribbean families in poverty are lone parent households. Measures to help lone parents will particularly help them.

177. However some problems may require more tailored solutions. Nearly half of children in Pakistani and Bangladeshi families reliant on a single full time wage live in poverty, compared with 12% of white children. Lisa Harker thought this was likely to be because Bangladeshi men suffer from particularly low-pay.<sup>178</sup> There is also a problem for children of disabled parents. 83% of Bangladeshi children with a disabled parent live in poverty, compared to 36% of white children with a disabled parent. The reasons for this are not clear, although language difficulties may be an issue for some.

178. We also received evidence from Child Poverty Action Group (CPAG) about a lack of understanding of the problems facing Gypsies and Travellers:

“There is a severe lack of robust quantitative data on Gypsy and Traveller families, including poverty, reflecting their general exclusion and ‘invisibility’. For example, the Department for Work and Pensions has no separate data on Gypsy and Traveller work patterns or unemployment rates”.<sup>179</sup>

179. We were told by CPAG that Gypsies and Travellers face specific problems “accessing mainstream wage labour jobs or training”. The community has also faced “discrimination and disadvantage” in accessing the benefit system and is subject to particular surveillance from benefit agencies on the basis of an “assumption that they commit benefit fraud” which can result in denial of benefits on the basis of very little, if any, evidence.<sup>180</sup>

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<sup>176</sup> HBAI 2005-6

<sup>177</sup> Ev 62

<sup>178</sup> *Delivering on Child Poverty: what would it take?* A report for the Department for Work and Pensions by Lisa Harker <http://www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf>

<sup>179</sup> Ev 117

<sup>180</sup> Ev 117

180. While some groups have a particular problem of in-work poverty, the larger problem amongst ethnic minorities is unemployment. Some witnesses felt that a large part of this was due to discrimination. Lisa Harker told us that:

“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.”<sup>181</sup>

181. She believed that this needed “a wider cross-government effort to tackle discrimination and champion equality, diversity and human rights”.<sup>182</sup> The Social Security Advisory Committee also recognised the barriers facing Pakistani and Bangladeshi women and argued that:

“There are no new ideas in the Green Paper about how to solve problems such as discrimination and inequality in the labour market. We would argue that the Department should be attempting to reduce these barriers.”<sup>183</sup>

182. However other witnesses to the Committee cited cultural issues as a barrier to work. Barnardo’s thought that a contributing factor to poverty among Pakistani and Bangladeshi families is that “you will find it very difficult indeed to get both parents to work.”<sup>184</sup> YWCA told us that:

“Our experience of working with Pakistani and Bangladeshi women, who are the focus of the Government’s work on second earners, has found that cultural responsibilities such as caring for an extended family, looking after the household and religious activities can put limits on young women’s time. A concern that young women will form relationships at work can also result in their families being anxious about them entering employment.”<sup>185</sup>

183. Barnardo’s told us that more should be done to address why welfare to work programmes are failing to reach certain ethnic groups:

“While there have been a number of initiatives aimed at looking at the issue of BME groups, poverty and employment (including the Ethnic Minority Taskforce, Fair Cities, Partner Outreach and New City pilots) more needs to be done at a national level to tackle the structural problems which are hindering BME access to mainstream programmes – e.g. only 1.3% of participants on new deal for disabled

<sup>181</sup> *Delivering on Child Poverty:-what would it take?* A report for the Department for Work and Pensions by Lisa Harker <http://www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf>

<sup>182</sup> *Delivering on Child Poverty:-what would it take?* A report for the Department for Work and Pensions by Lisa Harker <http://www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf>

<sup>183</sup> *In work, better off: next steps to full employment*, Response by the Social Security Advisory Committee [http://www.ssac.org.uk/pdf/gp\\_response\\_version\\_8.pdf](http://www.ssac.org.uk/pdf/gp_response_version_8.pdf)

<sup>184</sup> Q 75

<sup>185</sup> Ev 15

people are Pakistani and Bangladeshi. Barnardo's believe the Department for Work and Pensions (DWP) must urgently review why welfare to work programmes are failing many BME parents and publish an action plan to address this. This should include a measurable target for Jobcentre Plus staff to increase participation in the New Deals."<sup>186</sup>

**184. We received mixed evidence on the reasons why so many children from certain ethnic minority groups live in poverty. The reasons seem to be a combination of cultural attitudes to women working, language barriers, problems accessing training, and discrimination in the labour market. The Department needs to monitor its policies to ensure they take account of, and work to tackle, the problems faced by ethnic minorities.**

**185. We were concerned by the extraordinarily high percentage of Bangladeshi children with a disabled parent who are living in poverty. The Departments needs to identify the reasons for this unacceptable situation and work to resolve them.**

**186. We also note the lack of information on problems affecting Gypsy and Traveller Communities. We urge the Department to address this gap in its data collection without delay.**

## Families in London

187. London has one of the highest levels of child poverty in the UK at 26% (only the North East is worse at 28%). The figure in Outer London is 21%, but in Inner London it rises to 36%.<sup>187</sup> The situation in London is actually worse than the headline figures suggest, because the national targets use a Before Housing Cost measure. Rents in London are very high, which means many people receive a high level of Housing Benefit. Under the Before Housing Cost's measure this is counted as income, raising many people above the poverty line; the After Housing Costs child poverty rate is over 40% in London, and over 50% in Inner London. This is much higher than the rest of the UK, the next highest being the North East, at 32%.<sup>188</sup>

188. The situation is not improving. The Mayor of London told us that:

“This gap (between London and the rest of the country) has increased in recent years. It is clear that national measures to reduce child poverty have not had the impact here as they have in the rest of the UK.”<sup>189</sup>

The London Child Poverty Commission predicted that, with current policies, and projected population changes, by 2010-11 the poverty levels in London would be “little different from their current level”.<sup>190</sup>

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<sup>186</sup> Ev 62

<sup>187</sup> HBAI 2005-6

<sup>188</sup> NBAI 2005-6

<sup>189</sup> Ev 102

<sup>190</sup> *Tackling child poverty in London: Implications of demographic and economic change*, Report of a research project commissioned by The London Child Poverty Commission

189. While high housing costs do not affect out of work poor families, as they are paid by Housing Benefit, they do act as a disincentive to work because of the taper on benefits. The London Child Poverty Commission calculated that even if employment in London matched the national average, the After Housing Costs poverty level would still be 6% above the national average.<sup>191</sup>

190. While the effects of high housing costs are not captured in the 60% figure, they will be captured by the Government's new "material deprivation measure". The higher cost of living in London also means that those living in poverty have a lower standard of living than children on the same income living elsewhere in the country.

### **Barriers to work**

191. London has a higher percentage of lone parents and ethnic minorities than the rest of the UK. Both of these groups exhibit high rates of child poverty. The London Child Poverty Commission found that even when this is taken into account, the poverty rate in London is still higher than would be expected. The difference is due to the low rates of part time employment in London (rates of full time employment are roughly in line with the rest of the UK).<sup>192</sup> We received a range of views as to why this was the case. One Parent Families/Gingerbread had undertaken work for the London Child Poverty Commission, running focus groups for lone parents. They found that, in addition to childcare:

"The other thing that came through really strongly was this flexibility point and the availability of part time work. We know that for lone parents as many lone parents are working full-time in London as in the rest of the country but it seems to be quality, part time jobs that are really lacking in London."<sup>193</sup>

192. One reason for this lack of part time work may be the supply of workers. Keith Faulkner, Managing Director of Working Links told us that:

"The employer market is such in London that many organisations have a great deal of choice about who they can employ: there is student labour, there is immigrant labour, there are people commuting in who are second jobholders in a household that is reasonably wealthy. All of these people are there in the labour market and therefore there is no great pressure on the employer to be that much more flexible or to adapt to part-time employment or job sharing."<sup>194</sup>

193. Supply issues would also explain the problems with low wages for part time work. The Mayor of London told us that:

"Many lone parents express strong and very reasonable preferences for part time working and flexible hours, but this work is often either not available or not

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<sup>191</sup> *Tackling child poverty in London: Implications of demographic and economic change*, Report of a research project commissioned by The London Child Poverty Commission

<sup>192</sup> *Tackling child poverty in London: Implications of demographic and economic change*, Report of a research project commissioned by The London Child Poverty Commission

<sup>193</sup> Q 144

<sup>194</sup> Q 149

affordable in London. For 40% of part time service sector jobs, the London premium is less than half that for full-time jobs.”<sup>195</sup>

194. Many part time staff therefore miss out on the “premium” paid by many employers to cover the extra cost of living in London. Doreen Kenny of the GLA, however, told us that employers did want to hire part-time staff but that:

“People are reluctant to travel for the length of time it takes to commute into where the part-time jobs are, which is mainly in inner London. Coupled with that is the low pay for most part-time jobs. Half the part-time jobs in London pay less than £7 an hour, so it is just not worth working part-time unless they are very local and it fits in with the school and childcare responsibilities, or they are very well paid and flexible.”<sup>196</sup>

Other witnesses have been less sure about the reasons for the low rate of part time working. Mike Brewer told us that it is possible that taper rates on benefits may make part-time working not worthwhile; in this case the new £60 rate of In-work Credit in London would help matters. However he conceded it could also be due to the availability of part-time work, in which case the credit would “not really make any difference at all.”<sup>197</sup>

195. DWP told us that the lower rate of part-time working “is likely, in part, to reflect weaker work incentives for parents as a result of higher childcare and housing costs”. They did not address the possibility that there is a shortage of part-time work.<sup>198</sup>

**196. London has a much lower employment rate than would be expected from the composition of its population. While the rate of full time work is as would be expected for the population, the rate of part time working is much lower. The evidence we have received has suggested that much of this may be due to barriers which are not easy for the Government to overcome, particularly a shortage of, and intense competition for, part-time work.**

**197. The difficulties faced by lone parents in finding part-time work in London and the expense of London childcare raise significant questions about what the impact will be of moving lone parents in London onto Jobseekers’ Allowance. Jobcentre Plus advisors will need to be sensitive to the particular challenges facing lone parents in London.**

**198. The scale of the child poverty problem in London requires a special solution. We welcome the higher rate of In-work Credit for London, and believe that the Government should consider other tailored measures.**

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<sup>195</sup> Ev103. The “London Premium” or “London Weighting” is the extra money that employers pay workers in London to cover the higher costs of living.

<sup>196</sup> Q 150

<sup>197</sup> Q 60

<sup>198</sup> Ev 141

## London living wage

199. The high cost of living in London affects children's standard of living and contributes to poverty as measured using a "material deprivation" measure. The Mayor of London told us that:

"In London, largely because of housing costs, a person needs an hourly wage rate almost 20% above the National Minimum Wage rate of £5.35 just to take them above the poverty level. The Mayor has introduced a voluntary London Living Wage at £7.20 per hour to help tackle low pay in the capital."<sup>199</sup>

200. The living wage is being implemented for Greater London Authority Employees, and London Development Authority Employees (including Transport of London and staff employed by contractors). The Olympic Delivery Authority has also signed up. The private sector has also become involved, including: HSBC, Morgan Stanley, Lehman Brothers, Citigroup, Deutsche Bank, Royal Bank of Scotland, KPMG, PriceWaterhouseCoopers, Lovells, Credit Suisse, Macquarie, in addition to, Queen Mary University of London, the London School of Economics, the Big Issue Company, UnLtd, the Child Poverty Action Group, ACEVO and the Institute for Public Policy Research .

201. Although no Government Departments have signed up, DWP told us that:

"Currently, all grades in DWP in Inner London are paid above the [London Living Wage] of £7.20 per hour. In Outer London, which includes parts of Kent and Essex, the band minima for two grades, Band A and Support Grade Band 2, are slightly below the [London Living Wage]. This will change as band minima rise during the lifetime of the current 3 year pay award."<sup>200</sup>

**202. We welcome the fact that all DWP employees in Inner London are paid above the London living wage. DWP and other Departments' pay policy should take into account the Government's child poverty objectives. The London living wage is an example of good practice employment from which the Department could learn in drawing up its own policy. We call on the Department to also work with contractors to ensure that staff employed indirectly by DWP also receive at least the London living wage.**

## Families with large numbers of children

203. CPAG told us that the child poverty rate for large families in the UK was still amongst the highest in the OECD, even though rising employment rates and tax credit increases had improved the situation since 1998-9.<sup>201</sup> Jonathan Athrow, Head of Work Incentives and Poverty Analysis, at the Treasury told us that the Government has had some success in tackling poverty for large families.

"The risk of poverty has fallen, for families with four children, from somewhere around 56% in 1997-8 to around 40% today, one of the biggest falls. That is because

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<sup>199</sup> Ev 103

<sup>200</sup> Ev 141

<sup>201</sup> Ev 115



the biggest increase in financial support has been through the element [of Tax Credits] paid per child. There has been enormous progress in terms of tackling poverty amongst families with a large number of children.”<sup>202</sup>

204. There is also an overlap between large families and other at risk groups such as younger children, minority ethnic groups, those living on benefit and social tenants.<sup>203</sup> All this can mean that larger families can be harder to help.

205. Jonathan Portes, Director, Children and Poverty Directorate, at DWP, thought that increasing levels of financial support was not the answer:

“If you disaggregate the reasons for large families being in poverty, it is not because of the system of financial support. It is because those families are less likely to be in work, other things being equal. That suggests to us that, as well as financial support, it is about ensuring that child care is accessible and available to those large families and that carers in those families have access to support around skills, education and work rather than necessary putting all the emphasis on financial support.”<sup>204</sup>

206. However research from the Joseph Rowntree foundation concluded the opposite, that, even controlling for employment “a child in a 3+ child family is between 50% and 180% more likely than a one-child family to be poor, and a child in a 4+ child family is between 280% and 800% more likely to be poor than a one-child family.” The report concluded that financial support needed to be increased.<sup>205</sup>

207. There is also a problem that the incentives to work are weaker for larger families. This is for a number of reasons, including that passported benefits like free school meals or free leisure activities, are worth more the more children you have<sup>206</sup>. A crucial factor may be that the childcare element of working tax credit does not increase for the third or subsequent children. A parent of 3 children in childcare at the average cost of £152 would need to find £216 a week, this makes it very difficult for them to be better off in work.<sup>207</sup>

208. CPAG felt that the best way to reduce both in an out of work poverty in large families was to increase child benefit, for second and subsequent children, at present child benefit is paid at £18.10 a week for the eldest child and £12.10 a week for each additional child:

“Research for the Joseph Rowntree Foundation simulated six possible policy changes in order to explore how the Government might achieve this, and at what cost; it found that increasing Child Benefit to the same level for each child [...] and then

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<sup>202</sup> Q 256

<sup>203</sup> Ev 115

<sup>204</sup> Q 257

<sup>205</sup> *Child Poverty in large families*, Jonathan Bradshaw, Naomi Finch, Emese Mayhew, Veli-Matti Ritakallio and Christine Skinner, 2006

<sup>206</sup> Discussed in more detail in Chapter 7

<sup>207</sup> Discussed in more detail in Chapter 8. Tax credits pay 80% of up to £300 a week towards childcare for the parents of two or more children. Parents pay 100% of any cost over and above £300.



increasing the benefit for the third and subsequent child by £20 per week would achieve the best outcome in terms of equity for large families.”<sup>208</sup>

209. Kate Bell stressed that the same report found that a child benefit package for third and fourth children was almost as cost-effective as using child tax credits to do the same thing. “We need to re-examine some of those assumptions about child benefit always being more expensive.”<sup>209</sup>

210. Kate Green and Kate Bell argued that there is a strong case for a shift in emphasis within financial support for children towards child benefit in the overall package of financial support for children in families in and out of employment.<sup>210</sup> Both stated that child benefits are more effective in reaching low income families than any tax credits designed to help them, especially as the take-up is very high, around 98%.

211. They also stressed that it is a simple benefit without any of the administrative complexity of tax credits.<sup>211</sup> Kate Green added that it is very well-understood, non-stigmatised and very popular. It has the protective benefit of staying with children right through their lives even as family circumstances change. She quoted evidence from a recent CPAG report in support of the argument that increasing child benefits for subsequent children is cost effective:

“We suggest in that report that raising the rate of child benefit for second and subsequent children to the same level as that of the first child could have the effect of lifting around a quarter of a million children out of poverty at a cost of around one and a half billion pounds.”<sup>212</sup>

212. We have asked the Ministers about their views on raising child benefits and Jane Kennedy stressed that child benefit is not the Government’s preferred way of tackling poverty:

“Child tax credits and tax credits in general are very much more appropriate. In terms of reaching our target and addressing poverty, it is better to focus income and financial support through tax credits, but obviously the stock answer is we keep all the levels under review.”<sup>213</sup>

213. Jonathan Athrow said that for low income families take-up of tax credits is very high. He stressed that for families who work with an annual income under £10,000, take-up of tax credits is around 97%.<sup>214</sup> The Department estimates that the 3% who are not claiming tax credits represent 28,000 families. However, the £10,000 income level is significantly below the poverty line, even for a lone parent with one child.

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<sup>208</sup> Ev 115

<sup>209</sup> Q 140

<sup>210</sup> Qq 143, 142

<sup>211</sup> Qq 140, 143, 142

<sup>212</sup> Q 140

<sup>213</sup> Q 255

<sup>214</sup> Q 256

214. We welcome the progress the Government has made in tackling child poverty amongst families with a large number of children and call on the Government to keep levels of tax credits under review in order to focus help on this group, as resources allow.

## 5 Reducing worklessness

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### Employment strategy

215. Increasing the employment rate of parents, and in particular lone parents, has been one of the Government's principle methods of tackling child poverty. DWP stressed that "Work is the most sustainable way out of poverty and, as set out in *Working for Children*, DWP's strategy for parental employment, has a central role to play in helping parents to move into work. DWP's approach is tailored to three key groups: lone parents, couple parents and disabled parents."<sup>215</sup>

216. Last summer the Government published the Green Paper *In Work, Better Off: Next Steps to Full Employment*.<sup>216</sup> The Green Paper sets out the Government's plans for the next stages of welfare reform, incorporating both its response to David Freud's report *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work* and Lord Leitch's recommendations on the role of Jobcentre Plus in improving skills in the UK.<sup>217</sup> The Committee responded to the Green Paper in October 2007 when it published its report *Full employment and world class skills: Responding to the challenges*.<sup>218</sup>

217. On 13 December 2007, DWP published the White Paper *Ready for Work: Full Employment in our Generation* which sets out the steps the Government will take to reach the goals of an 80% employment rate.<sup>219</sup> The White Paper was published after we had spoken to DWP and HM Treasury Ministers in our last evidence session for this inquiry.

218. The Government is right to focus on worklessness - despite a high employment rate at 74.7% (the highest employment rate in the G8) - the UK has the highest proportion of children living in workless families of any country in the European Union. Figure 10 presents the latest Eurostat data. The proportion of children living in workless households was 15.3% in 2006, compared to 15.7% in 2005 and 15.9% in 2004. The impact of worklessness on child poverty is stark: just 8% of children in families where all adults have a job are poor, compared to 60% in workless families.

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<sup>215</sup> Ev 133

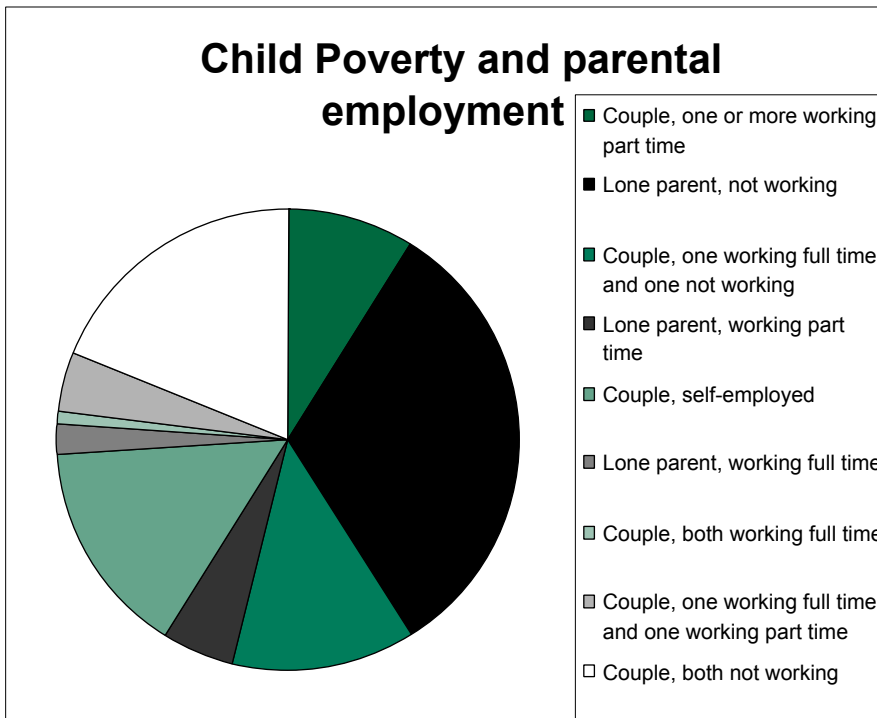
<sup>216</sup> DWP *In Work, Better Off: Next Steps to Full Employment*, Cm 7130, July 2007

<sup>217</sup> D Freud *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work*, DWP, 2007; Lord Leitch *Leitch Review of Skills: Prosperity for All in the Global Economy – World Class Skills*, HM Treasury, December 2006.

<sup>218</sup> Work and Pensions Select Committee *Full employment and world class skills: Responding to the challenges*, Eighth Report of Session 2006–07, HC 217, October 2007.

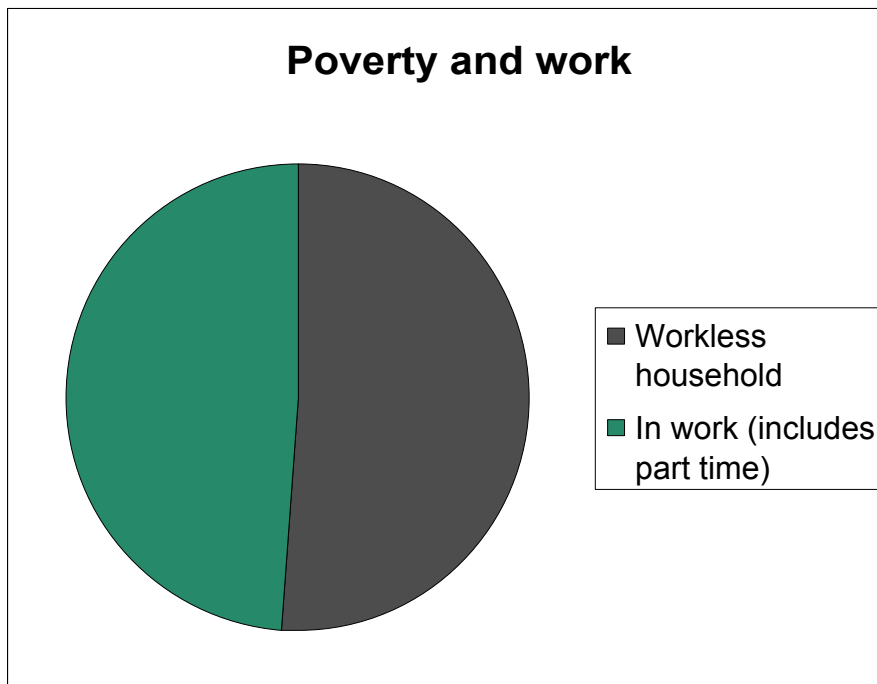
<sup>219</sup> DWP *Ready for Work: Full Employment in our Generation*, Cm 7290, December 2007.

Figure 8: Child poverty and parental employment

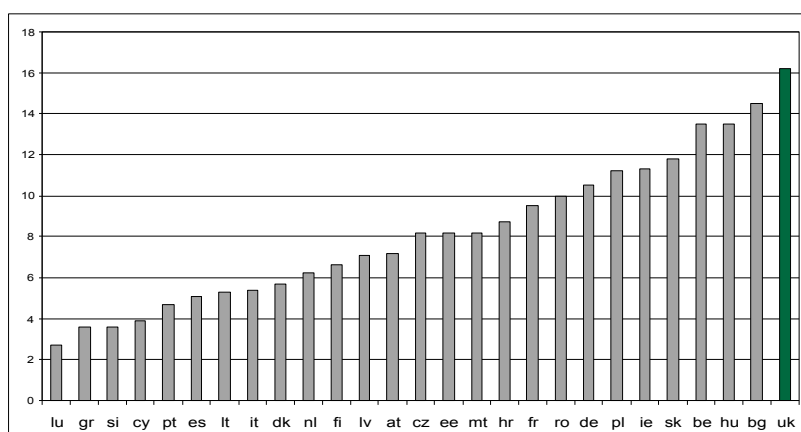


Source: HBAI (Households Below Average Income) 2005-6

Figure 9: Poverty and work



Source: HBAI 2005-6

**Figure 10: % children 0-17 living in workless households 2006**

Source: Eurostat 2007

219. Much of the growth in employment has been concentrated in families with someone already in employment; there are still geographical areas with very high concentrations of unemployment, relatively untouched by improvements in labour demand.<sup>220</sup> But the main reason is that the UK has a large proportion of children living in lone-parent families and the employment rate of lone parents, while much improved in recent years (now about 57%), is still comparatively low.

220. The TUC, CPAG, Barnardo's and Save the Children all agreed that the Government is right to focus on workless families. However, many also stressed the limits of a 'work first' approach to eradicating child poverty.<sup>221</sup> We will discuss these limits further in our chapters on addressing in work poverty and uprating benefits and improving benefit take-up. First we will discuss the effectiveness of the Government's proposals to get parents back into work.

### Jobseekers' Allowance (JSA) conditionality

221. Despite the improvement in the lone parent employment rate, which has increased from 44.7% in 1997 to 57.2% in 2007, it remains low in relation to other OECD countries, some of which have a lone parent employment rate of over 70%.

222. The Organisation for Economic Co-operation and Development (OECD) recommended that, with the right support in place, the UK should consider further extending work tests for lone parents. The proposal to require more lone parents to look for work would also bring the UK into line with most other European and OECD countries.<sup>222</sup>

223. This argument was picked up by David Freud who said in his independent report to the Department for Work and Pensions *Reducing Dependency, Increasing Opportunity: Options For the Future of Welfare to Work* that there is a correlation between lack of work-testing and high poverty rates:

<sup>220</sup> Office of the Deputy Prime Minister *Jobs and Enterprise in Deprived Areas, Social Exclusion Unit Report*, September 2004.

<sup>221</sup> Ev 08, 59, 71, 120

<sup>222</sup> OECD *Babies and Bosses: Reconciling Work and Family Life* 2005.

“The United Kingdom is the only country in this review that has no tradition of work-testing sole parents on income support and it is no coincidence that it has a much lower employment rate and a relatively high incidence of poverty among this group.”<sup>223</sup>

224. In the Green Paper *In Work, Better Off: Next Steps to Full Employment*, the Government proposed that from October 2008 lone parents with children aged 12 and over and from October 2010 lone parents with children aged 7 or over will no longer be entitled to Income Support solely on the grounds of being a lone parent.<sup>224</sup> Instead some may claim Jobseeker’s Allowance, and will be expected to look for suitable work in return for personalised help and support. Over time, this will affect nearly 40% of lone parents currently on Income Support. The White Paper *Ready for Work: Full Employment in Our Generation* modified the proposals in the Green Paper only by introducing a middle stage of lowering the age criteria for the youngest child to 10 from October 2009.<sup>225</sup>

225. However, Lisa Harker stressed “the reason we are out of step with other countries is that we have not had the same level of support for parents to enable them to take up jobs. Our childcare system is many years behind Scandinavian countries and many other European countries. [...] Until we see a much better level of affordable, high quality and appropriate childcare it is not appropriate to require lone parents to look for a job.”<sup>226</sup>

226. One Parent Families|Gingerbread emphasised that nine out of ten lone parents themselves say that they want to work when the time is right for them and their children, but that a move to the Jobseeker’s Allowance regime was extremely unlikely to achieve this aim, and at the same time risked making the poorest families poorer. One Parent Families|Gingerbread said the proposal ignores the wealth of evidence on what works for lone parents, instead relying on a crude approach based on sanctions. It also expressed concerns over the risks of sanctions, especially for those caring for a disabled child, or facing difficult circumstances such as bereavement, domestic violence or dealing with debts left by a former partner or lack of affordable childcare.<sup>227</sup>

### **JSA flexibility**

227. We asked witnesses whether they were opposed on principle to the concept of JSA conditionality on lone parents to seek work or just wanted to see more flexibility. Many witnesses stressed that they were not completely opposed, but argued that the JSA regime was too rigid. Richard Exell, Senior Policy Officer at the TUC, argued that the JSA regime “is possibly the most out-of-date set of entitlement rules in the whole benefits system, much of it unchanged since 1911 and not designed for the modern economy.”<sup>228</sup>

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<sup>223</sup> OECD *Babies and Bosses: Reconciling Work and Family Life* 2005 as quoted in D Freud *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work*, DWP, 2007; Lord Leitch *Leitch Review of Skills: Prosperity for All in the Global Economy – World Class Skills*, HM Treasury, December 2006, page 58.

<sup>224</sup> DWP *In Work, Better Off: Next Steps to Full Employment*, Cm 7130, July 2007.

<sup>225</sup> DWP *Ready for Work: Full Employment in Our Generation* CM 7290 December 2007.

<sup>226</sup> Q 20

<sup>227</sup> Ev 108

<sup>228</sup> Q153

228. Lisa Harker suggested that if we are thinking about much more personalised support for parents we should be applying much more personalised conditionality. Therefore, the expectation ought to be that individuals are taking steps to improve their chance of being successful in the labour market, not necessarily immediately but at some stage in the future. “There is a range of ways in which one can apply conditionality in a much more personalised way, but at the moment the system is black and white and we need to take a look at it.”<sup>229</sup>

229. Kate Bell of One Parent Families|Gingerbread said that she completely opposed conditionality for lone parents on the grounds that parents should have the choice about when to work or when not to work because they know best about what their children need at particular times. She also stressed that about 10 years’ research evidence on what works in helping lone parents to go back to work in the UK shows that a tailored, supportive approach which talks to lone parents, recognises their needs and asks them what support they need to go back to work is really what works. She said the Jobseeker’s Allowance regime could lead to the unintended consequence of more lone parents in poverty:

“We know at the moment that more lone parents are being sanctioned for not taking part in a work-focused interview. There is obviously a group of parents who are saying, ‘This support is not adequate for me, I can’t take it up and I’m prepared to face that sanction’, and that is very worrying. The effect that we will see following this policy, if it is introduced, is perhaps an increase in poverty as more lone parents face sanctions and not really an increase in the employment rate.”<sup>230</sup>

230. CPAG stated “The rigidity of the Jobseekers’ Allowance regime may indeed limit what additional rights can be offered”<sup>231</sup> and the Welfare Association pointed out that not long ago the Department itself acknowledged that the JSA regime was too rigid, expensive, unfair and ineffective:

“In short, we agree with the conclusion that the Department itself reached in 2005: that ‘it would be wrong simply to move lone parents from income support onto the Jobseeker’s Allowance regime: an unrestricted requirement to search for work is inappropriate given the complex and difficult circumstances many lone parents face. We think such an approach would be expensive, unfair and ineffectual’.”<sup>232</sup>

231. However, Caroline Flint, the Former Minister of State for Welfare Reform, told us that there was enough flexibility within the JSA regime. She pointed out that it allows carers, including lone parents, to tailor their availability to work to suit circumstances, subject to the underpinning minimum of 16 hours a week. “There are obligations in it, yes, but that again is why the proposals are to start with the youngest child of 12 and working down to seven.”<sup>233</sup> The White Paper *Ready for Work: Full Employment in Our Generation* stresses

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<sup>229</sup> Q 22

<sup>230</sup> Q 125

<sup>231</sup> Ev 121

<sup>232</sup> Ev 124

<sup>233</sup> Q265

the flexibilities already in the JSA regime which allow the requirements on lone parents to be changed based on their individual circumstances, including:

- their availability over school holidays;
- if the lone parent is ill;
- if their child is ill;
- if their child is disabled and has special childcare needs;
- if their normal childminder is ill; and
- if they have another unforeseen situation or personal crisis, which may include domestic violence or a relationship breakdown, which causes them to become a lone parent.<sup>234</sup>

The White Paper also states that:

“Some respondents were concerned that Jobcentre Plus advisers sometimes do not use the flexibilities that are available. As part of the plans to increase the tailoring of provision to meet the needs of each person, we plan to increase the discretion available to advisers. This will be backed by clear guidance for advisers on the existing and new flexibilities, and supported by the Jobcentre Plus reward and recognition systems.”<sup>235</sup>

232. It includes one new flexibility, the right to leave, or decline a job because “appropriate affordable childcare is genuinely not available”.<sup>236</sup> It also stresses that these changes “will not be a general ‘opt-out’ for those who would prefer to be on benefits.”<sup>237</sup>

233. However while JSA allows people to specify what hours they are prepared to work, or where they are prepared to work, this is as long as there is still a “reasonable prospect of securing employment despite these restrictions”.<sup>238</sup> In addition lone parents must be available to work for 16 hours a week, so while a lone parent can vary their availability during the school holidays they must still be available for 16 hours. Under the JSA regime lone parents could be pressured into taking a job where the hours or conditions do not fit with their other commitments; such a job would not be sustainable.<sup>239</sup>

234. JSA allows claimants to specify a minimum salary– but only for the first 6 months and only as long as there is a reasonable prospect of employment.<sup>240</sup> The problems of in work poverty are discussed later in the report. However, JSA can require that a parent take a job

<sup>234</sup> DWP *Ready for Work: Full Employment in Our Generation*, CM 7290, December 2007, page 41.

<sup>235</sup> Page 41

<sup>236</sup> Page 42

<sup>237</sup> Page 41

<sup>238</sup> Child Poverty Action Group *Welfare Benefits and Tax Credits Handbook 2007/08*, page 347.

<sup>239</sup> Child Poverty Action Group *Welfare Benefits and Tax Credits Handbook 2007/08*, page 349.

<sup>240</sup> After six months they can only specify a salary if it is “reasonable in respect of physical or mental condition” Child Poverty Action Group *Welfare Benefits and Tax Credits Handbook 2007/08*, page 350.



that would leave them worse off, especially if they face increased costs in work. Again such a job is unlikely to be sustainable. The particular challenges facing lone parents in obtaining appropriate affordable childcare are discussed in Chapter 3.

**235. We agree with the Government that getting lone parents into sustainable work, that takes them and their children out of poverty, is vital if the Government is to reach its poverty targets. Whilst we accept the case for greater conditionality on lone parents to seek work, we are not convinced that the JSA regime is flexible enough for their needs. There are real concerns that JSA conditionality cannot be adapted to reflect the complex realities of lone parents' lives. We strongly recommend that the Government, through Personal Advisers, applies personal conditionality with the intention of supporting lone parents to enter sustainable employment. Sanctions should never apply when there is proven lack of affordable and suitable childcare or where the lone parent is engaged in work related education or training.**

### ***Exemptions for parents of disabled children***

236. Parents who are able to claim Carers' Allowance will be exempt from the requirement for lone parents to work. Carers Allowance is only payable to parents of disabled children who receive the care component of Disability Living Allowance (DLA) for their child at the middle or higher rate. However, 18,380 disabled children under the age of 16 receive the lower rate of DLA and only around 50% of disabled children are in receipt of DLA. In addition, as we noted in Chapter 4, many do not claim DLA to which they are entitled.

237. This proposal has received strong criticism from Every Disabled Child Matters (EDCM) and others who want a much broader definition of the group of parents who should be exempted.<sup>241</sup> It is doubtful whether using Carers Allowance as a proxy for having a severely disabled child is sufficiently sensitive to the reality for families with disabled children. For example, DLA is no longer paid if a child's condition fluctuates, or if the child is in hospital for more than 84 days. Thus parents of the most sick and vulnerable children could then be moved onto JSA.

238. Even a DWP research report questions whether limiting the exemption from work to those who receive the middle and higher rate of the care component of DLA is justified. It has shown that having a child with a moderate disability or just general ill health makes it hard for parents to work, a condition that affects a child's ability to attend school will have a significant effect on a mother's ability to work.<sup>242</sup>

239. Steven Broach of EDCM argued that the Government currently doesn't provide parents of disabled children with the right package of support, which makes it inappropriate to place strict conditionality on them:

“If we reach a Utopian situation where every family with a disabled child gets the right package of childcare and support to meet their needs then perhaps we could

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<sup>241</sup> Ev 48

<sup>242</sup> S McKay and A Atkinson *Disability and caring among families with children*, DWP report No. 460, 2007.

look at making benefit receipt conditional on working, but we are a long way away from that environment at the moment.”<sup>243</sup>

**240. We are concerned about the Government’s plans to exempt only parents who are entitled to claim Carers’ Allowance from the requirement for lone parents to work. The proposal does not reflect the reality for families with disabled children, particularly those with the most sick and vulnerable children. Lone parents of disabled children should receive every support to help them to work, but a broader definition is needed for those exempt from the requirement to work. We recommend that the Government engages in further deliberation on this matter with the relevant stakeholders and seriously consider a wider group for exemption.**

### **Sanctions**

241. The main differences between the Jobseeker’s Allowance (JSA) regime and Income Support (IS) are the frequency of interventions, and the risk of sanctions. While lone parents must attend the Jobcentre for a Work Focused Interview twice a year, and quarterly once their youngest child is twelve, JSA claimants must attend fortnightly. And while lone parents can be sanctioned for failure to attend a Work Focused Interview, losing 20% of their benefit, JSA claimants can lose their entire benefit for failure to attend, for failure to carry out a Jobseeker’s Direction, for failing to avail themselves of employment, and for voluntarily leaving employment in the first place. The loss of the entire benefit also has a knock-on impact on other benefits, bringing all claims to a stop, including housing allowance.

242. The threat of sanctions risks forcing lone parents into low paid jobs that are not sustainable and into a cycle of in and out of work.<sup>244</sup> Kate Green said “we know from evidence from the US that it is the lone parents who are furthest from the labour market, the poorest skilled, the least socially engaged, who are most likely to be sanctioned. We also know that the children of lone parents who are sanctioned suffer poorer outcomes than children of lone parents who are not sanctioned. The impact on a very vulnerable group of children may be quite great.”<sup>245</sup>

243. It was also argued that using the threat of sanctions to lone parents to seek work was not necessarily in the interest of the child. Alex Bax, Senior Policy Advisor, Greater London Authority emphasised “there is a simple point about parents having some ability to choose to parent rather than having, at all costs, to get out to work. Wealthier people are in the position of being able to choose, perhaps, to take a career break or spend more time with their children and that, from a long-term point of view, is probably good for their children and good for them. I think we need to be careful about these efforts which overly force people into the labour market, which, as we have found, is difficult and not that well suited, particularly to people with young children.”<sup>246</sup>

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<sup>243</sup> Q 78

<sup>244</sup> Q 153

<sup>245</sup> Q125

<sup>246</sup> Q153

244. We are concerned about the impact of the Jobseeker's Allowance sanctions regime on children and family poverty. On Income Support the sanction is 20% of the personal benefit while on Jobseeker's Allowance it is up to 100%. DWP needs to review sanctions levels on Jobseeker's Allowance and develop a strategy on sanctions which takes account of the interests of children.

### Concerns over childcare and JSA

245. The *Ready for Work* White Paper states that "by the time the change is implemented for the youngest age group in October 2010, Schools in England will be able to offer all children childcare between 8am and 6pm throughout the year."<sup>247</sup> However, this will not help parents who need childcare in a-typical hours and means that parents whose youngest child is 12 will be moved onto JSA a full two years (2008) before extended schools will be in place.

246. In addition, while the Childcare Act 2006 obliges local authorities to assess childcare demand by April 2008, as we have seen, local authorities may face considerable financial and logistical problems in meeting that demand. In addition neither extended schools nor the Childcare Act apply in Scotland. The White Paper acknowledges that this does not apply in Scotland but says "the Scottish Executive has invested significantly in this area and has committed to improving childcare availability to meet the needs of working parents".<sup>248</sup> There is no comment on the lack of extended schools in Scotland.

247. We asked Jane Kennedy how she can expect lone parents to go back to work if they can not find suitable and affordable childcare for their children. She admitted that "It would be a pretty draconian system, would it not, if there was not child care available for that lone parent and yet we were making the level of income they get as a benefit predicated on them finding a job? By 2010, there will be a child care place for all children aged between 3 and 14 between the hours of 8am to 6pm for each week day. There will be about two million sustainable child care places for children up to 14."<sup>249</sup>

248. We put it to Caroline Flint that under the jobseekers agreements, JSA claimants are able to stipulate what jobs they can take as long as they still have a reasonable prospect of finding work. We wanted to know whether it would be acceptable under JSA rules for a lone parent to say that she or he is only able to work during school hours and during term time. She responded "That is something we are working through. It is a 16 hour minimum."<sup>250</sup>

249. Caroline Flint felt that while the Childcare Act and Extended Schools might not be fully implemented there were still a lot of options and that the system would be flexible, though she was unsure of the details:

"There is still a lot of scope for those whose youngest child is 12 to take advantage of some of the things that are there. To a certain extent, there is not one national

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<sup>247</sup> DWP *Ready for Work: Full Employment in Our Generation*, CM 7290, December 2007, page 37.

<sup>248</sup> DWP *Ready for Work: Full Employment in Our Generation*, CM 7290, December 2007, page 34

<sup>249</sup> Q 267

<sup>250</sup> Q 271

blueprint on this. [...] How do we create a framework that is at the same time – I acknowledge straight away that it requires more from somebody – but is flexible enough to give some of that engagement at local level? What one parent needs may be very different to another. There cannot be a one step plan for this at national level. It would be unrealistic.”<sup>251</sup>

250. The White Paper was published after DWP and HM Treasury Ministers gave evidence. It says that “a lone parent who is claiming or receiving Jobseekers Allowance will not be penalised if they leave a job or fail to take up a job because appropriate affordable childcare is genuinely not available. We will discuss with lone parent groups how best to develop the regulations and guidance around these childcare issues.”<sup>252</sup>

251. CPAG however argued that any burden of proof should not lie with lone parents: “the burden of proof that there is adequate and satisfactory child care in place before lone parents are required to consider paid employment should be placed on the DWP rather than the lone parent.”<sup>253</sup>

**252. Moving lone parents onto JSA will only be effective if appropriate childcare is in place for them to use. We received evidence that lone parents are currently struggling in many areas to find appropriate, affordable childcare. We agree with Jane Kennedy that “It would be a pretty draconian system” if child care was not available for lone parents and yet the level of income they received was predicated on them finding a job. Conditionality should be linked to the availability of childcare and before and after school care. If a lone parent claims that appropriate affordable childcare is not available, it should be for the Department to show that such childcare is available.**

**253. The Childcare Act 2006 and extended schools do not apply in Scotland. Childcare provision varies across the UK and this may have implications for a national system of conditionality for lone parents. It would be unreasonable to expect lone parents to face the prospect of sanctions because they do not have access to the same level of childcare that is available elsewhere in the country.**

## Flexible/personalised New Deal

254. The New Deal is fundamental to the Government’s ‘work first’ approach to child poverty. In its White Paper *Ready for Work: Full Employment in Our Generation* the Department sets out its plans for a modernised New Deal by moving to a more flexible, personalised approach for longer term, more disadvantaged customers.

“To meet these challenges we need to tap into the experience and expertise of not only Jobcentre Plus, but also of the public, private and third sectors. At the heart of our new approach will be action to identify the barriers to sustainable employment, self-employment and progression. A flexible, personalised and more responsive

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<sup>251</sup> Q 291

<sup>252</sup> DWP *Ready for Work: Full Employment in Our Generation*, CM 7290, December 2007, page 35.

<sup>253</sup> Ev 122

service which is more tailored to individual employment and skills needs will help us achieve this.”<sup>254</sup>

255. The Government intends to introduce the flexible New Deal progressively from 2009. The flexible New Deal will combine the current mandatory New Deals: New Deal 25 Plus and New Deal for Young People. The New Deal for Musicians and New Deal 50 plus will also be subsumed within it.

256. Witnesses in this inquiry overwhelmingly supported the Government’s plans for greater flexibility and more personalised support.<sup>255</sup> Richard Exell of the TUC stressed “each individual needs a different package of support, which is why flexibility in labour market programmes is something that has to be introduced. [...] employment services have to be able to deal with the specifics of the individual circumstances because, otherwise, it does not matter how much money is being spent on it they are not going to succeed.”<sup>256</sup>

257. Lisa Harker said that employment services need a culture change to improve support for families. She stressed that “Jobcentres were not sufficiently supporting parents and couple families and thinking about the childcare and flexible working needs of those families. DWP has begun to recognise that and wants to pilot some changes, but I should like to see things moving quicker than we have seen so far.”<sup>257</sup> She added “Increasingly, the decisions that fathers make about the kinds of jobs they take and whether or not they move into work are related to childcare responsibilities. Those are negotiated as part of the family, yet we still have an employment support system that does not ask a man who comes into a Jobcentre whether or not he is a father.”<sup>258</sup>

258. The StartNow! Project in Fleetwood, Lancashire is an example of good practice where 10 partner agencies, including Jobcentre Plus, Blackpool & Fylde College, Connexions, Volunteering Centre, Citizens Advice Bureau, Housing Options, Education and Welfare Services and Fleetwood Children’s Centre are working together to support parents into training or employment.<sup>259</sup>

259. Keith Faulkner of Working Links added that such a personalised New Deal would provide much personal support in overcoming lack of confidence and post-placement support in employment. It would also empower Jobcentre Plus staff in taking decisions faster and respond to the clients needs. However, “If you are not very careful, the performance measures at a local Jobcentre Plus level begin to go back into categorising people, so that, say, helping that person achieve an outcome is worth more than helping a different sort of person with a different outcome. That again takes away the empowerment

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<sup>254</sup> DWP *Ready for Work: Full Employment in Our Generation*, CM 7290, December 2007, page 51.

<sup>255</sup> Q7

<sup>256</sup> Q159

<sup>257</sup> Q 10

<sup>258</sup> Q 13

<sup>259</sup> *Step Higher: Key messages and Next Steps*, a DRAFT report for SFLSU and Sure Start, March 2006  
[http://www.surestart.gov.uk/\\_doc/P0002125.pdf](http://www.surestart.gov.uk/_doc/P0002125.pdf)

of the individual to decide the best route because the target becomes more important than the individual.”<sup>260</sup>

260. Such a personalised programme requires experienced staff. Richard Exell stressed that “the key to flexibility is moving decision-making closer to the front line.”<sup>261</sup> However, we were told that the retention of Jobcentre staff is a problem, especially in London.<sup>262</sup> This raises questions as to whether the expertise will remain in place to deliver the flexible New Deal.

**261. We welcome the introduction of the personalised New Deal, as advocated by this Committee in a number of our reports. We believe a much more personalised approach will help the Government to build on its good record of helping more people back into work. However, the approach will only succeed if employment services adapt to the needs of families. A culture change in Jobcentre Plus is needed to provide better personalised advice to all parents. In addition, we are concerned by suggestions that turnover of Jobcentre staff may undermine the introduction and effectiveness of the flexible New Deal.**

### **Contracting out**

262. Some have welcomed the Government’s commitment to work with the private and third sectors in providing a more personalised New Deal for clients. However, many witnesses stressed that the Government would risk undermining its objectives if it was too prescriptive about the roles of the public, private or third sectors.<sup>263</sup> Witnesses suggested this should be agreed at local level. Keith Faulkner of Working Links said: “It is just about bringing the definition of service closer to the problem and not trying to determine solutions at a national level and then impose them.”<sup>264</sup>

263. Representatives from the public and private/voluntary organisations stressed that the Government should learn from negative experiences with Employment Zones which led to the ‘creaming’ (dealing only with those closest to the labour market) and ‘parking’ (not dealing with those furthest from the labour market) of clients. We were told that the Government should not contract out whole areas of service, as happened with Employment Zones and as is proposed in the Green Paper but keep a strong public sector core that works in partnership with the private and third sectors:

“We do not want the UK or certain services carved up between the public, private and voluntary sectors. We want, and this is commissioning and design again, a much more integrated approach so that transfer of learning can take place because we are actually working together, not in separate pockets.”<sup>265</sup>

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<sup>260</sup> Q160

<sup>261</sup> Q 160

<sup>262</sup> Q 201

<sup>263</sup> Q 195

<sup>264</sup> Q 195

<sup>265</sup> Q 203



264. This echoes a concern that we raised in our report on the Government's employment strategy that Jobcentre Plus's prime contractor model, where one main provider ('prime contractor') is responsible for the delivery of all services across a geographical area, is not working as well as it should. We have heard evidence that some New Deal contractors are not contracting work out to smaller organisations, as DWP intended they should.<sup>266</sup> DWP responded that "The Department has no evidence that prime contractors are beginning to deliver more themselves and use sub-contractors less. In the case of the JSA New Deals, there are 93 prime contracts held by 53 different organisations. These prime contractors also have 527 sub-contracts with 327 different organisations."<sup>267</sup>

265. The TUC was also concerned about the impact on the independence of the third sector organisations under such a regime:

"I have spoken to people from voluntary sector organisations who say they do become more cautious about speaking out against the direction of policy once they are reliant for over half their income from Government contracts. [...] we need a vibrant voluntary sector that can speak up independently for clients and contracting out threatens that as well."<sup>268</sup>

We await with interest the forthcoming publication of the Public Administration Select Committee's report on third sector commissioning.

**266. We repeat our previous recommendation from our report on the Government's employment strategy that "Prime contractors must not be allowed to become sole contractors, or valuable local expertise will be lost, reducing the opportunities to engage with those far from the labour market." In contracting out employment programmes the Government needs to ensure that local expertise is not lost. It is also essential that independence of third sector organisations is not undermined.**

## City Strategy

267. The City Strategy aims to tackle worklessness in some of the most disadvantaged communities across the UK, many of which are in major cities and other urban areas. The strategy is based on the idea that local partners can deliver more if they combine and align their efforts, and are given more freedom to try out new ideas and to tailor services in response to local need. The strategy will test:

- "How best to combine the work of government agencies, local government and the private and voluntary sectors in a concerted local partnership (consortium) – to provide the support jobless people need to find and progress in work;

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<sup>266</sup> House of Commons Work and Pensions Committee *The Government's Employment Strategy*, Third Report of Session 2006–07, HC 63-I, 2007, page 91.

<sup>267</sup> House of Commons Work and Pensions Committee *The Government's Employment Strategy: Government Response to the Committee's Third Report of Session 2006–07*. First Special Report of Session 2006–07 HC 492, 2007, page 19.

<sup>268</sup> Q 203

- Whether local stakeholders can deliver more by combining and aligning their efforts behind shared priorities, alongside more freedom to innovate, and tailor services in response to local needs.”<sup>269</sup>

268. It will initially focus on 15 pathfinder areas. The consortia in these pathfinder areas are pooling funding streams, rationalising and joining up services, and commissioning services. They are working with Jobcentre Plus to ensure best use is made of the flexibilities available to personal advisers in providing tailored support to individuals.

269. DWP has appointed the Centre for Economic & Social Inclusion (CESI) to identify lessons from the City Strategies through the Learning Network. The Learning Network is running a programme of activities through to April 2008 in a series of cities associated with the strategy, London, Glasgow and Cardiff. The Pathfinders were surveyed for the priorities that they would like discussed at each of the business meetings. The Learning Network will “stimulate new thinking; help build the capacity of local partners; provide a challenge role to national and local partners; promote best practice; and help communication and information between City Strategies and national government.”<sup>270</sup>

270. Kate Green presented another opportunity for local authorities to engage in learning from best practice. CPAG and CESI are currently developing a Toolkit for local authorities and their partners who seek to develop local strategies to support the achievement of the national child poverty targets. The Toolkit provides briefing background information about the factors that bear on poverty, the risks that families in poverty face, including the educational attainment of families (parents and children). Kate Green said “It will also put in place a number of good practice examples so that where other local authorities or local children’s services have had experience of a particular issue and have had found ways of addressing it.”<sup>271</sup> Kate Bell added “I think that one of the advantages of action at this kind of local level is to join up the services for families who are experiencing poverty, so that people who are working in Children’s Centres, for example, know about whatever adult literacy programmes are available. Also, one of the problems in terms of benefit take-up is the lack of joining up at a local level between the different agencies, and localised focus on child poverty hopefully would be a way of making sure those cross-referrals happen.”<sup>272</sup>

**271. Whilst we support the Government’s City Strategy, we are disappointed with the lack of progress. Bringing together services and agencies at local level to deliver better employment and poverty outcomes for those furthest away from the labour market is a much welcomed approach, if used innovatively. We recommend that the City Strategy Pathfinders use the new Child Poverty Action Group and Centre for Economic and Social Inclusion toolkit to develop strategies at local level to tackle child poverty. We recommend that DWP evaluates outcomes in Pathfinder areas in terms of how their strategies are contributing to the Government’s policy objectives of achieving a 80% employment rate and eradicating child poverty.**

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<sup>269</sup> [http://www.dwp.gov.uk/welfarereform/cities\\_strategy.asp](http://www.dwp.gov.uk/welfarereform/cities_strategy.asp)

<sup>270</sup> Ev 142

<sup>271</sup> Q 112

<sup>272</sup> Q 112

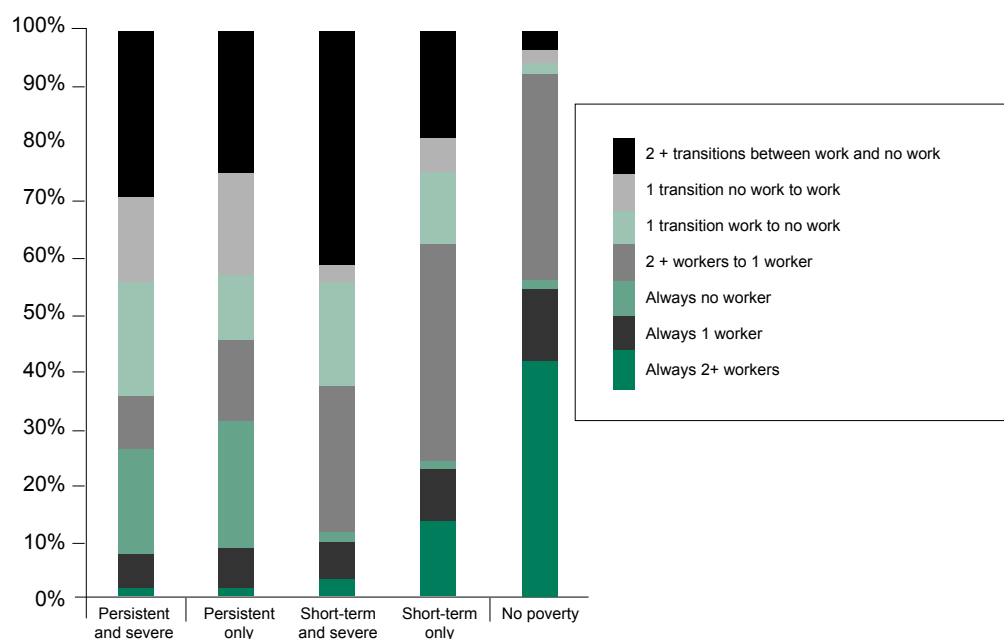


## 6 “Churn”

### Coping with parents’ movements in and out of work

272. There is strong evidence that poor children’s lives are much more complex and subject to more frequent change in family circumstances than those of children not growing up in poverty. The study *Britain’s Poorest Children* by Save the Children shows that transitions between having workers and no workers in the household, and between receiving and not receiving benefits were associated with children experiencing persistent and severe poverty.<sup>273</sup> For example, over a five-year period, 57% of children in persistent and severe poverty and 42% of those in persistent poverty had made at least one transition between receiving and not receiving Income Support or Jobseekers’ Allowance, compared with only 21% of children who experienced no poverty. 65% of children in persistent and severe poverty had experienced at least one transition between having workers and no workers in the household, compared with 53% of children in persistent poverty only and 5% of children who experienced no poverty (Figure 1). People moving in and out of work, particularly insecure and low paid work, is known as “churn.”

Figure 11:



Source:

273. The study also showed that experiencing change, from living in a couple family to a lone parent family for example, was particularly associated with persistent and severe childhood poverty.

<sup>273</sup> Laura Adelman, Sue Middleton and Karl Ashworth (2003) *Britain’s Poorest Children: Severe & persistent poverty and social exclusion* Save the Children. Severe poverty for this report was defined as “Child materially deprived AND Child’s parents materially deprived AND Household income below 40% of median”. Persistent was defined as more than 3 years.

274. Tess Ridge told us about her study which examined the longer-term impact of periods of employment, job loss and return to benefits on the lives of 50 lone mothers, their children and the family as a whole. She stated that out of 50 mothers only 11 had not had changes in employment or family circumstances over two years:

“They had lost their employment or had had to take on another job or change their hours, their days and so on. The immense complexity is very much in evidence in that study. [...] If one adds to that the fact that some have re-partnered, a few have had another child and so forth one gets a feeling of the complexity of people’s lives.”<sup>274</sup>

275. She stressed that low-income children’s experiences prior to their lone mother’s employment were very similar to those of other children living in low-income families in receipt of Income Support. Many key elements of childhood social exclusion were identified, including concerns about having no money, difficulties accessing transport and exclusion from many of the everyday activities and services that more affluent children take for granted. The stigma of poverty, a fearfulness of being seen as poor and somehow identified as ‘other’ by their peers, was also present in these children’s accounts.

276. The main findings of her study are that when mothers entered stable, relatively well-paid employment, in general, children gained from the increase in family income, social participation and material well-being. When mothers entered insecure labour markets, where pay was poor and job security was uncertain, children found that the changes for themselves, their mothers and their families as a whole, were more problematic. When mothers were unable to sustain employment and had left work, children returned to the deprivations and insecurities of life on Income Support after a brief period of enhanced income from work. Children found this backward and downward move particularly hard, and were left with a sense of loss and anxiety, including in some cases uncertainty about the value of work:

“I think it is important to focus on all children who experience poverty. It is quite hard to pin down exactly who are the poorest. There is a lot of movement and change in experiences, resources and so on, but for those just above the poverty line there is now evidence that the movement between employment and benefits is particularly problematic for children. That movement up and down can be particularly problematic in a child’s life as against a steadier experience perhaps.”<sup>275</sup>

277. Almost all of the children in the study reported undertaking more chores and responsibilities at home than before the mother was working. In addition to extra household responsibilities many children were providing emotional support for their mothers, especially where employment and/or debt was causing tiredness, stress and anxiety. Children’s coping strategies are largely concealed and easily go unnoticed and unacknowledged, yet they can have far reaching implications for children’s lives and well-being.

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<sup>274</sup> Q 54

<sup>275</sup> Q 35

278. In order to prevent “churn” the employment that is found for people must be sustainable. There is a range of things that the Government can do to ensure that this happens, from helping people find the right job in the first-place, to helping them stay in work once they are there with the right provision of in-work support and by ensuring that they are better off in work.

279. Kate Bell, Head of Policy and Research, One Parent Families/Gingerbread explored the correlation between churn and low income:

“Many lone parents are moved into low paid jobs where it may not be financially worthwhile for them to stay there. We know that one of the best predictors of having sustainable employment is being genuinely better off in work.”<sup>276</sup>

280. Kate Bell went on to express her concern about the approach that “any job is a good job” and feared that moving lone parents onto Jobseekers’ Allowance “is not going to improve job matching, it is not going to have a focus on skills and it is not going to get people into the right jobs which they can actually keep”.<sup>277</sup>

281. The YWCA also feared that the current policy “places priority on work over training”, and noted that the New Deal for Lone Parent’s, “is under-spending on its training budget, despite an obvious need for skills amongst the client group”.<sup>278</sup>

**282. The Government’s child poverty strategy must have the child’s welfare at its heart and we have received strong evidence that the churn of parents moving in and out of work impacts adversely on both children’s wellbeing and their belief in the value of work. Both contribute to intergenerational worklessness and poverty. The effect of parents moving in and out of work may be more damaging for children than continuous unemployment.**

**283. The focus should be on helping parents to find a job and providing the training necessary for them to sustain employment and improve their prospects of advancement. We call on the Department to identify and address the reasons for the New Deal for Lone Parents under spending on its training budget.**

## **In-work support**

284. The Government strategy has focused on a “work first” approach to tackling child poverty, rather than focusing on in-work poverty, and providing support to help people stay in work. Even if the job is the right one, the parent may need help to enable them to sustain it. Parents during the early stages of employment can face problems at home, with childcare, or with money, which lead them to decide to drop out of work.<sup>279</sup> In many cases this is a cycle which repeats itself with an individual moving repeatedly in and out of work.

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<sup>276</sup> Q 127

<sup>277</sup> Q 127

<sup>278</sup> Ev 15

<sup>279</sup> Q 183

285. Working Links and the TUC stressed the important role Jobcentre Plus, or contractors' advisors, can play helping those who have recently returned to the labour market, perhaps after some years. Keith Faulkner, Managing Director of Working Links explained what support they offered people:

“The way we would operate when someone is first going back into work is to have regular contact every couple of days: a telephone call, “Can you come into the office on the way home?” on a particular day, just to make sure that we spot the problems and how they feel about the experience, otherwise the failure rate is going to be much higher if they are left on their own to make this particular device work. Quality support is very important.”<sup>280</sup>

Richard Exell, Senior Policy Officer of the TUC, also stressed the importance of continuing contact, particularly in the first few months to help people break the low-pay/no-pay cycle.<sup>281</sup>

286. Many parents may have been out of work for a long time, and may have confidence or communication problems. Richard Exell told us about working with people who think “I’m out of it now. No one’s really going to be interested in employing me”,<sup>282</sup> so that when they do find a job “it is so easy to take your first bad experience in work as confirmation of everything that you were afraid of about going back to work”.<sup>283</sup> Keith Faulkner told us that this is where the advisor can help, acting as an advocate for the employee:

“A lot of this is about individuals who are nervous about confronting the issue and dealing with their employer, it is easier just to stay off or to give up the job, so they do not put their case of the sort of support they need, and similarly on the employers’ side. We work with a lot of employers where someone has not worked for many years where they then say, “His time-keeping’s awful”. [...] I think a lot of the breakdown is because the individual and the employer are not really talking to each other, they are assuming what the other party’s reaction will be and just not trying.”<sup>284</sup>

287. Keith Faulkner added that this would be a quite low cost service.<sup>285</sup> Alex Bax from the GLA argued that this in-work support was best provided by someone who knew the employee, and should not be a separate service. He said that:

“It would seem to me to be sensible, as we are arguing for a more integrated approach by both the skills side and Jobcentre Plus, that the adviser who has helped

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<sup>280</sup> Q 165

<sup>281</sup> Q 183

<sup>282</sup> Q 191

<sup>283</sup> Q 191

<sup>284</sup> Q 183

<sup>285</sup> Q 190

you find a job should maintain some kind of relationship with you and, if you are getting into difficulty, they should be a good person to talk to.”<sup>286</sup>

288. During our visit to Cardiff we saw just how important this relationship can be. We met a number of lone parents, and were told of the work of a particular Jobcentre Plus Advisor who continued to pro-actively offer support after individuals had started work. The former Minister for Welfare Reform, Caroline Flint acknowledged the importance of this issue in her evidence acknowledging that “we all know that those first weeks, if not months, are really difficult for people. The chance to talk to someone, if it is not working out, is important.”<sup>287</sup> She also acknowledged that the current system could do more to enable this, noting that more discretion for advisors could be built into the process – this was something DWP was considering.<sup>288</sup>

289. After the Minister appeared before the Committee, the *Ready for Work* White Paper was published. It announced that from April 2008, Jobcentre Plus advisors would offer “In Work Advisory Support”:

“Continued support and guidance from a personal adviser will be offered for all lone parents who have moved into work to help resolve any difficulties and direct individuals towards other support. Personal advisers, along with the adult advancement and careers service, will be able to make both individuals and employers aware of skills training opportunities, including Train to Gain.”<sup>289</sup>

**290. We support the in work advisory support to be provided for lone parents. This support is best provided by the adviser who has helped the individual move into work. The Department should consider providing this support to all parents returning to work.**

### **Sustainability targets**

291. One way to ensure that parents are helped to find the right job, and that they are helped to stay there is to change the measure that the Department uses to measure sustainability. The current sustainability measure for contractors is as little as 13 weeks. The Committee recommended in its report on the *Government’s Employment Strategy* that “the DWP should use a new definition of sustainable employment of 26 weeks, both in its targets for Jobcentre Plus and contracted-out provision”.<sup>290</sup> We asked the Minister what she would consider an appropriate measure for sustainable employment and she suggested that long term the Department is looking for a 12 to 18 month measure:

“On sustainability, at the current time, our sustainability measure is often as little as 13 weeks in employment. We are looking for much longer period for us to assess

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<sup>286</sup> Q 193

<sup>287</sup> Q 2982

<sup>288</sup> Q 283

<sup>289</sup> Ready for work: full employment in our generation pg46.  
<http://www.dwp.gov.uk/welfarereform/readyforwork/readyforwork.pdf> Train to Gain works with employers to identify their training needs and help them find training providers. It can also provide funding for training.

<sup>290</sup> *The Government’s Employment Strategy*, The Third Report of the Committee 2006-7, HC 63-i

whether the provider – whether that is the private or the voluntary sector – is making an impact on that person’s job outcomes. What I do not want is a revolving tour of people going in and coming out. Long term we are looking at sustainability of 12 to 18 months as a sign of success.”<sup>291</sup>

292. That proposal has the support of Keith Faulkner of Working Links who was advocating a measure of 12 months:

“Our own data shows that, of people we have placed in work that have remained in work for 12 months, more than 95% of those are still in work at the two- and three-year point. Thirteen weeks is not such a critical indicator, but 12 months is, I think, the right period to measure it.”<sup>292</sup>

**293. We recommend that DWP should use a definition of sustainable employment of 12 months, both in its Jobcentre Plus targets and contracted-out provision.**

### ***InWork Emergency Fund***

294. The Inwork Emergency Fund pilot started in Oct 2004. It was designed to help lone parents during their first two months in work, and was available to lone parents who work more than 16 hours, and had been on benefits for at least 26 weeks. An evaluation of the pilot in 2007 indicated that the Fund was being used for a variety of emergencies including coverage for delays in Working Tax Credit payments and InWork Credit, childcare costs, utility bills, rent and break-downs in cars and other transport problems. The evaluation concluded that:

“The IWEF had on several occasions prevented lone parents from leaving their jobs. As one manager commented ‘emergencies do happen, and it helps lone parents stay in work’.”<sup>293</sup>

295. However, the pilot did reveal problems with excessive processing times for amounts over £50 in some areas. An emergency fund, by its very nature must be able to respond rapidly to events, so we are concerned by this shortcoming. In addition, on our trip to Cardiff, we found that there was a very low level of awareness of the InWork Emergency Fund amongst the lone parents we met, apparently because most lone parents lost contact with their advisor soon after starting work.

296. Caroline Flint told us she was considering the operation of the Emergency Fund:

“We are also looking at how we might provide, through the discussion of our personal advisers, more use of the discretionary funds they have at their disposal in particular circumstances, particularly in the first consecutive six weeks of being back at work.”<sup>294</sup>

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<sup>291</sup> Q 282

<sup>292</sup> Q 199

<sup>293</sup> Department for Work and Pensions Research Report No 426 *New Deal Plus for Lone Parents Qualitative Evaluation* 2007

<sup>294</sup> Q 247

297. The *Ready for Work* White Paper announced the national rollout from April 2008 of the InWork Emergency Discretion Fund:

“The In Work Emergency Discretion Fund will provide in work financial help to overcome unexpected financial barriers. These may crop up when a lone parent first starts work and might otherwise make it difficult for the lone parent to remain in employment.”<sup>295</sup>

**298. We welcome the national roll out of the Inwork Emergency Discretion Fund. We are convinced of the potential importance of this provision in helping lone parents to remain in work. However if it is to be as effective as intended it must be able to respond quickly to circumstances and those returning to work, and their advisers need to be aware of its existence.**

### Effect of “churn” on benefits

299. One of the reasons that the “churn” of parents moving in and out of work is particularly damaging for children is that the benefit system can fail to keep pace with changes in an individual’s work status, leaving them with no income. We heard about the devastating affects this can have in practice from Alex Bax:

“There are some examples in some of the work of the Child Poverty Commission, of people moving into employment, taking a job, their housing benefit claim is messed up, they lose their housing benefit, they get into rent arrears because they did not get paid until the end of the month, then they lose their job and then they lose their flat and you are expecting them to go back into that rigmarole of, ‘Oh, I’ll try and get another job because last time I ended up with debt and nowhere to live’.”<sup>296</sup>

300. While the problem of delays and mistakes with benefits affects all claimants, for those with children to look after it may prove an added deterrent to taking a job. Many parents will decide they would rather stay on a very low, but secure income, rather than risk debt and/or their children becoming homeless.<sup>297</sup>

301. We have also heard ways in which the speed and reliability of benefits, particularly Housing Benefit, could be improved. Kate Bell told us that some good ideas were being piloted:

“There has been a very good pilot done by Jobcentre Plus, HMRC and the local authority at Wallsend where they asked those three departments to work much more closely together to deal with people’s transitions in and out of work. We think that is a model of good practice.”<sup>298</sup>

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<sup>295</sup> *Ready for work: full employment in our generation* pg46.  
<http://www.dwp.gov.uk/welfare-reform/readyforwork/readyforwork>.

<sup>296</sup> Q 183

<sup>297</sup> *Women, Poverty and Transitions to Work, Transitions Research Stage Two*, M. Gillespie, G. Scott and C. Lindsay, April 2003

<sup>298</sup> Q 134



302. Jonathan Athow, Head of Work Incentives and Poverty Analysis, Treasury recognised the problem of delays, and the importance of ensuring Housing Benefit was recalculated quickly so that claimants did not get into arrears.<sup>299</sup>

303. Jane Kennedy, Financial Secretary to the Treasury drew attention to another pilot of cross-departmental working:

“There is a pilot currently in Dundee where the tax credit staff are working with people on the ground to assist somebody coming in to work for the first time so that their claim for tax credits goes in for payment as quickly as possible. HMRC are really focused on the need to have people getting in work benefits as quickly as possible to make the big difference that we want people to feel in terms of income as a result of a job.”<sup>300</sup>

304. In our report on *Benefits Simplification* we made a number of detailed recommendations which would make the system simpler for both staff and claimants, thus reducing delays and errors.<sup>301</sup> We heard that, even when things do not go wrong, the complexity of claiming is a work disincentive. Work Directions told us that:

“For a lone parent moving into part time work it is not unusual to have to complete seven different forms: for housing and council tax benefit; to stop income support; to claim in-work credit; to claim a job grant; to claim 4 weeks housing benefit run on; a form for extra help with childcare costs and a form to claim working tax credit. Each of these needs evidence, and it is not possible to claim them all concurrently. For example tax credits need to be awarded before Housing Benefit can be applied for. These forms cannot be completed in advance. The vast majority of our clients are unable to fill in these forms unaided as they are often long and confusing (the housing benefit form is over 40 A4 pages in length)... lone parents are at risk of failing to take up offered jobs, or leaving if anticipated funding does not arrive.”<sup>302</sup>

**305. Benefit delays and mistakes are a powerful disincentive to work, and can leave vulnerable children destitute and even homeless. This experience will prevent parents taking up opportunities in future. We welcome the pilots underway to improve the efficiency of the way the benefit and tax credit systems respond to people’s changes of circumstances. The lessons learned from these pilots must be rolled out nationwide.**

## Flexible working

306. Currently parents have the right to request flexible working from their employer, but only:

- If they have worked for their employer for 26 weeks continuously at the date that the application is made; and

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<sup>299</sup> Q 249

<sup>300</sup> Q 252

<sup>301</sup> *Benefits Simplification* Seventh Report of the Committee 2006-7 HC 463

<sup>302</sup> Ev 54

- If they have a child under six or a disabled child under 18 (or if they are a carer for an adult).

Applications for flexible working arrangements must be considered seriously by employers and can only be refused for specific reasons.<sup>303</sup>

308. However, the 26 week rule means that this right does not apply to those who are looking for a job, or have just started work. Recent research for One Parent Families|Gingerbread found that a lack of work at suitable hours was the primary reason cited for not being in paid employment, with 71% of out of work parents stating this as a problem<sup>304</sup>. Work Directions mentioned the difficulty parents experience in finding employers who offer flexible hours:

“For many lone parents key to the decision of whether to return to work is the suitability of the job and how well it fits in with the needs of their children. Flexible hours are fundamentally important, and often make the difference to an individual’s success in finding sustainable employment. They can, however, be difficult to find.”<sup>305</sup>

309. Lisa Harker suggested that Jobcentre Plus take a far more proactive role, brokering flexible working on the employee’s behalf:

“One of the things that strikes me about the way vacancies are advertised in Jobcentre Plus is that there is no indication whether or not there are flexible working opportunities, that is, whether the job can fit around the school year, whether it is just part time or whether there is a job-share opportunity. It would be very easy to change that system so that when an employer approached a Jobcentre to ask for a vacancy to be advertised staff could check with the employer the opportunities for flexible working. Jobcentre Plus should be more proactive in that regard, but so far that is not something that the DWP has taken up.”<sup>306</sup>

310. One Parent Families believed the Government could do more to encourage employers, suggesting that in order to be listed as a partner with Government in ‘Local Employment Partnerships’, employers should be asked to commit to providing job shares, and extending the right to request flexible working for all parents, and to consider the possibilities for providing term time working options.<sup>307</sup> Barnardo’s said they should be used “as a way of enabling Jobcentre Plus to put pressure on employers”.<sup>308</sup>

311. The Minister said that Local Employment Partnerships has enabled the Government “to explore in more depth what are the packages of working patterns that different

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<sup>303</sup> The reasons are: the burden of additional costs ; detrimental effect on ability to meet customer demand; inability to reorganise work among existing staff; inability to recruit additional staff; detrimental impact on quality; detrimental impact on performance; insufficiency of work during the periods the employee proposes to work; or planned structural changes.

<sup>304</sup> Ev 110

<sup>305</sup> Ev 55

<sup>306</sup> Q 21

<sup>307</sup> Ev 110

<sup>308</sup> Ev 59

companies offer” and that “some flexibility around working [...] can be important, this has come up anecdotally as part of the discussion when we are firming up packages with different employers.”<sup>309</sup> However she went on to say “ I think it is recognised that that is one of the things that is going to make the LEP package work, not just for those on JSA but potentially for those on IB as well.”<sup>310</sup>

312. Barnardo’s were strongly in favour of expanding flexible working, both by allowing potential employees to request the right at appointment, or at the interview stage, and by extending it to the parents of older children.<sup>311</sup> Scope/Treehouse/Working Families told us that:

“While parents of disabled children do have a right to request flexible working, they need to have flexibility right from the outset of their employment. At present they can only exercise the right to request once they have been with an employer for 26 weeks. For those who need flexibility from day one or can only work part time, this rule makes it difficult to enter work.”<sup>312</sup>

313. In the Queen’s speech the Government announced that it will consult on extending flexible working. Ed Miliband MP, Minister for the Cabinet Office, said that the Government would “up the age range to older children”,<sup>313</sup> although he did not specify to what age the range would be extended, or whether employees would be able to request flexible working before 26 weeks. However some expressed concerns that extending the right to request flexible working could backfire on those it was designed to help. Keith Faulkner told us about the attitude of some small employers he had met, who took the attitude that:

“We will avoid offering jobs to certain types of people who may give us difficulty because, as a small business, we can’t afford to have to tackle that complexity, we can’t afford to take the risk of an industrial tribunal because we’ve not understood properly what our obligations are, so let’s play it very safe.”<sup>314</sup>

**314. We welcome the fact that Jobcentre Plus now ensures flexible working is mentioned on adverts. However they can go much further. Jobcentre Plus needs to do more to negotiate flexible working arrangements on behalf of clients who may not have the confidence to do so themselves. Flexible working should play a key role in programmes like the “Local Employment Partnerships.” DWP should be doing far more than exploring what employers have on offer, they need to be challenging them to offer more.**

**315. The right to request flexible working helps ensure parents do not fall out of work when their circumstances change. We welcome the Government’s decision to consult on extending the right to request flexible working. We ask the Government to supply**

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<sup>309</sup> Q 277

<sup>310</sup> Q 277

<sup>311</sup> Ev 58

<sup>312</sup> Ev 52

<sup>313</sup> [http://news.bbc.co.uk/1/hi/uk\\_politics/7081126.stm](http://news.bbc.co.uk/1/hi/uk_politics/7081126.stm)

<sup>314</sup> Q 189

**the Committee with details of what the consultation will cover, and whether they are considering removing the 26 week rule.**

## 7 Addressing in work poverty

### Introduction

316. The often quoted figure is that 50% of children in poverty have a parent in work. This includes part time work, but 21% of poor children have a parent who works full time, and in addition 15% of poor children have a self employed parent.<sup>315</sup> There are therefore a large number of children for whom a parent or parents working full time has not provided a way out of poverty. For certain groups, in particular families with disabilities, and families in London, the new material deprivation measure will show that many families who earn over 60% of medium income Before Housing Costs (BHC) actually live in poverty. In-work poverty in these groups is likely to be even higher than the BHC headline figures currently indicate.

**Figure 12: 60% BHC Breakdown of poor children by family type**

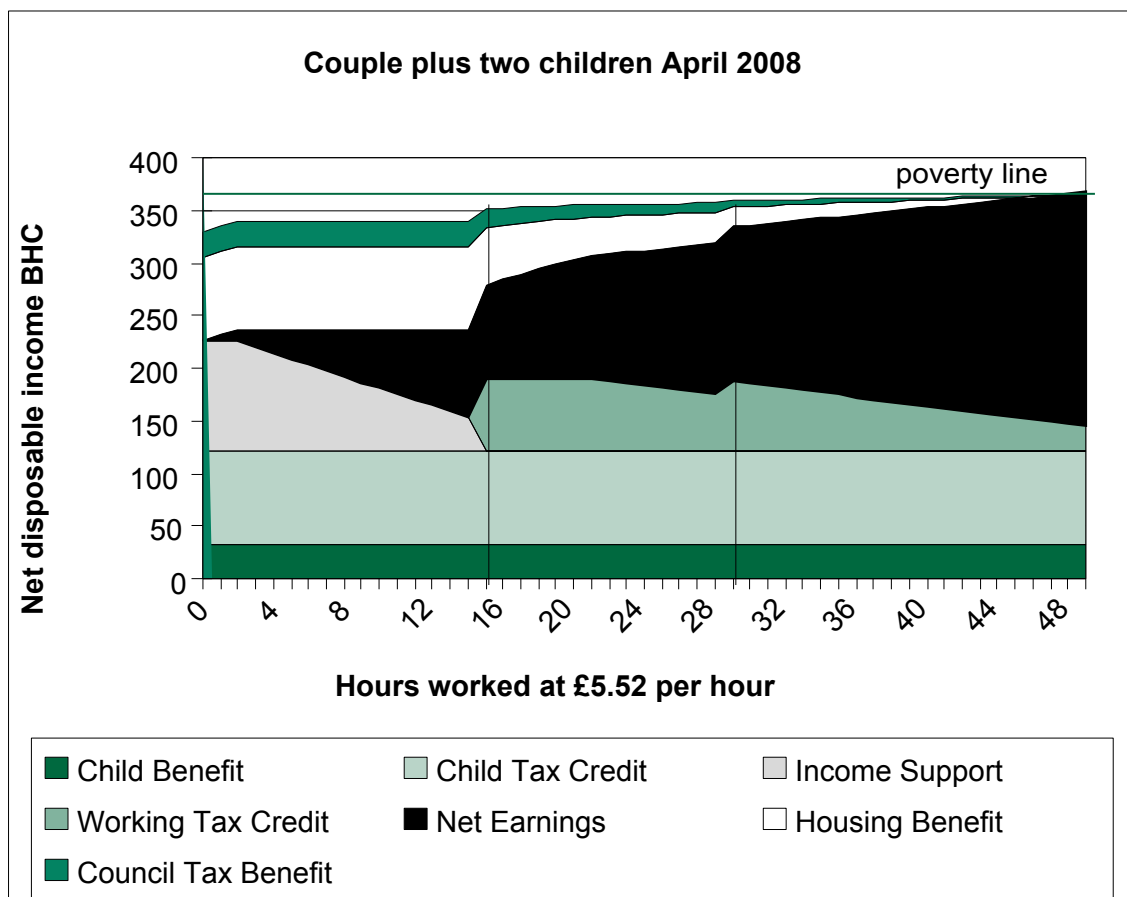
<b>Percentage of poor children who have:</b>	
Lone parent	40
Of which	
In full-time work	2
In part-time work	5
Not working	33
Couple with children	60
Of which	
Self-employed	15
Both in full-time work	1
One in full-time work, one in part-time work	5
One in full-time work, one not working	13
One or more in part-time work	9
Both not in work	17
Economic status of household	
All adults in work	21
At least one in work, but not all	34
Workless households	45

Source: HBAI 2006

<sup>315</sup> HBAI 2005-6 60% BHC

317. The following graph shows how many hours a couple family, with two children and one parent earning the minimum wage, would have to work to lift themselves out of poverty.<sup>316</sup> One parent would have to work 49 hours a week to lift the family out of poverty. A parent increasing their hours from 16 to 30 hours would be less than £11 a week better off, gaining less than £1 for each extra hour.

Figure 13: Couple plus two children (BHC), April 2008



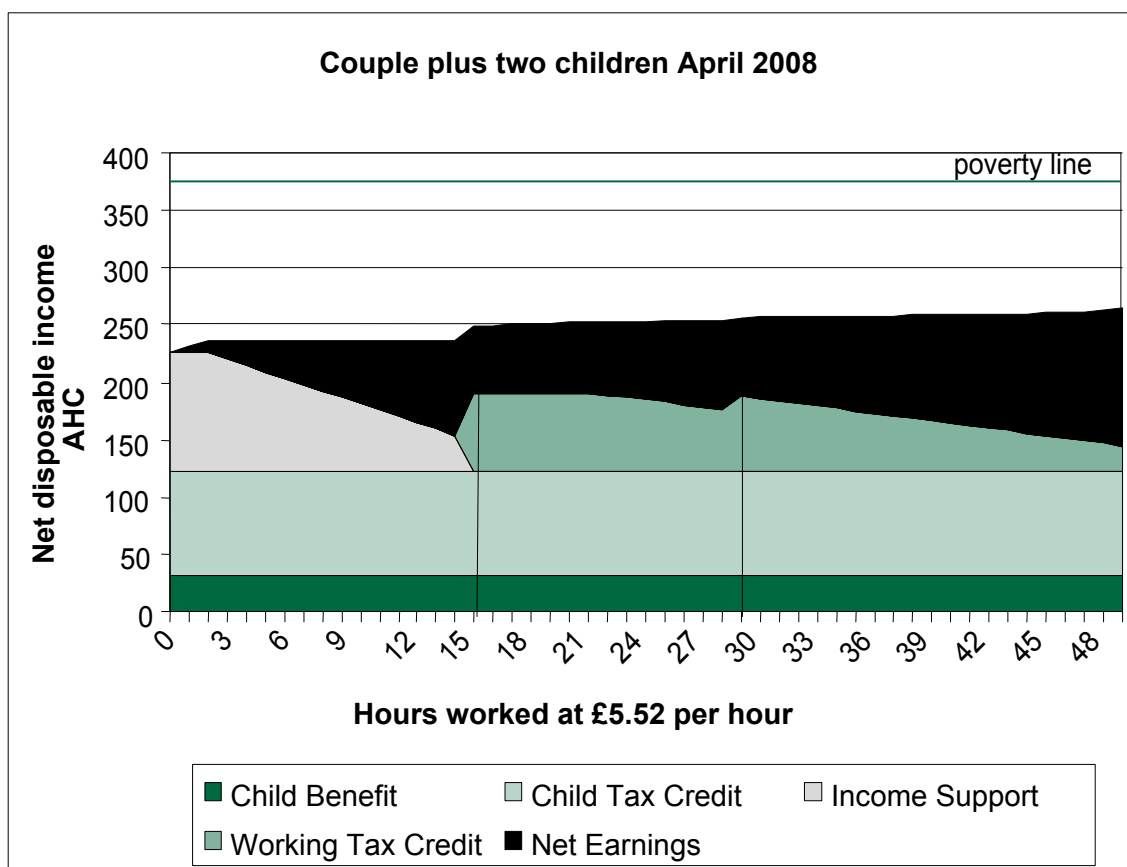
Source: Professor Jonathan Bradshaw, using data from the tax benefit model tables produced by Professor Steve Wilcox of the Centre for Housing Policy at the University of York

318. Using an after housing cost measure the situation is even worse. A parent working a 50 hours week would still leave the family over £67 per week below the poverty line.

<sup>316</sup> Net income of couple with two children. April 2008. £ per week.

Rent=£78.30 per week, Council Tax=£24.45 per week. Income Support includes value of free school meals £9.70 per week

Figure 14: couple plus two children (AHC), April 2008



Source: Professor Jonathan Bradshaw, using data from the tax benefit model tables produced by Professor Steve Wilcox of the Centre for Housing Policy at the University of York

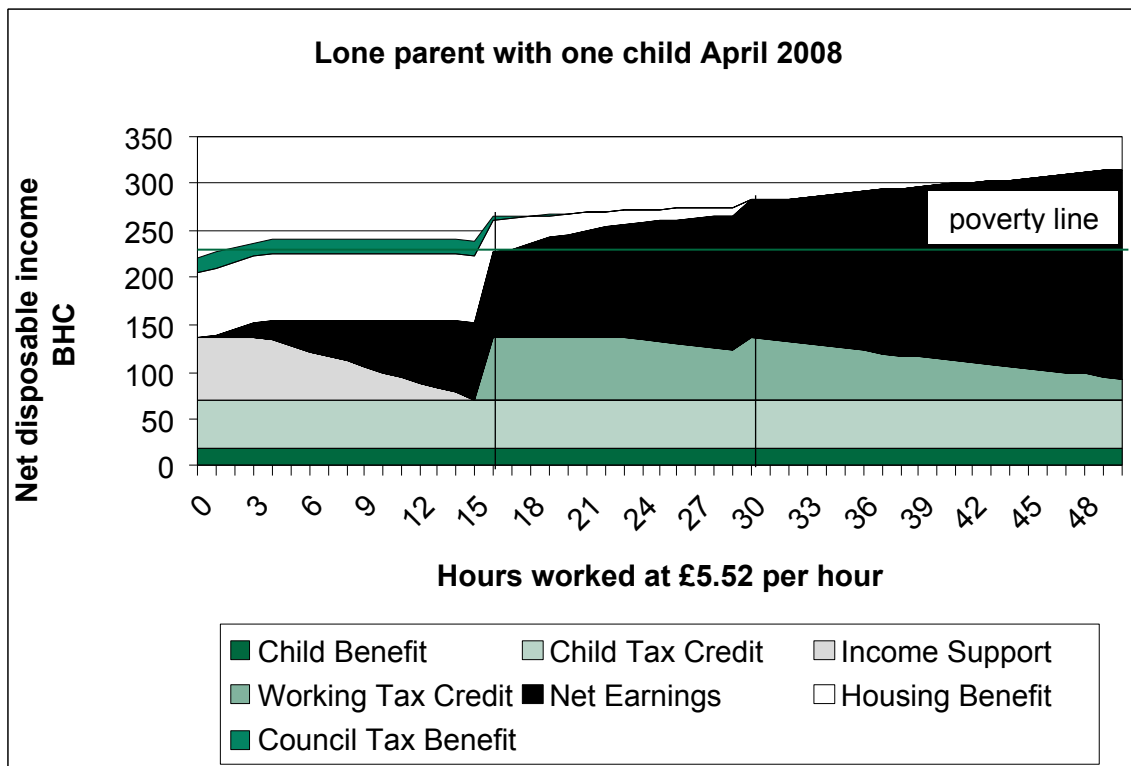
319. For lone parents with one child the situation is much better<sup>317</sup>. BHC a lone parent only needs to work 4 hours to lift the family out of poverty. Even AHC the lone parent needs to work for only 30 hours to lift the family out of poverty. The reasons why lone parents are better off are two fold. The poverty threshold is lower, (£222 rather than £365) and the basic elements of tax credits are the same for lone parents as for couples. However a couple with one parent working would not need to use childcare as the second parent could look after the children whereas a lone parent would have to pay towards the costs of childcare.

<sup>317</sup> Net income of lone parent with one child, April 2008. £ per week

Rent=£71 per week, Council Tax £15.45 per week. Income Support includes the value of free school meals £4.85 per week.

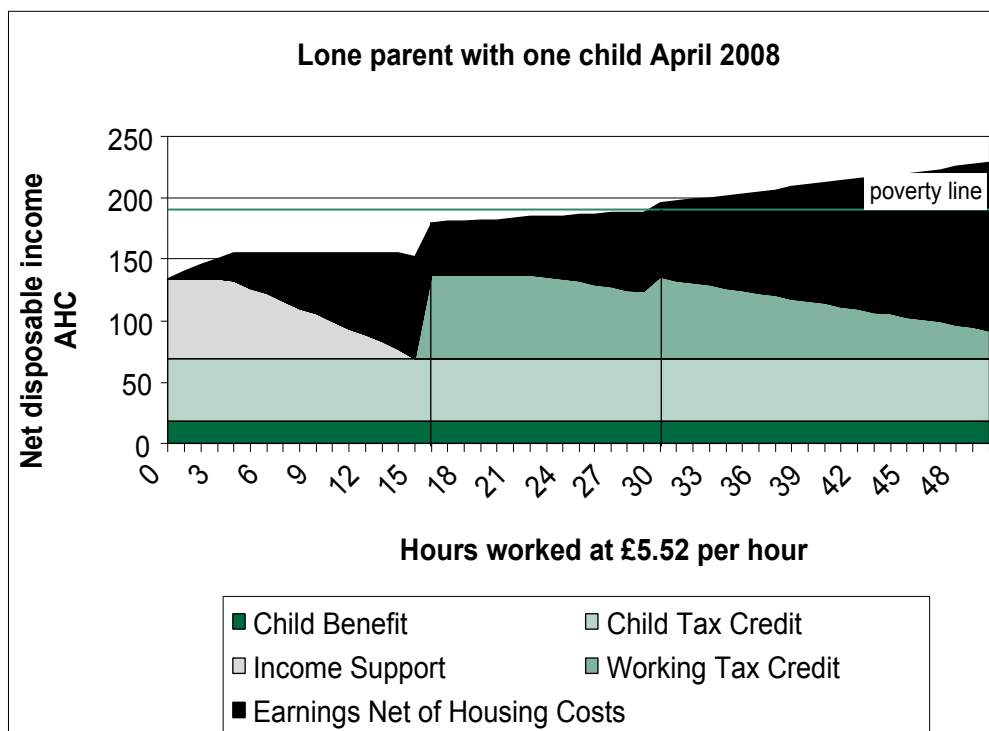


Figure 15: Lone parent with one child (BHC), April 2008



Source: Professor Jonathan Bradshaw, using data from the tax benefit model tables produced by Professor Steve Wilcox of the Centre for Housing Policy at the University of York

Figure 16: Lone parent with one child (AHC), April 2008



Source: Professor Jonathan Bradshaw, using data from the tax benefit model tables produced by Professor Steve Wilcox of the Centre for Housing Policy at the University of York

320. Rt Hon Peter Hain MP, the former Secretary of State for Work and Pensions, told the House on the 7 of January that:

“One thing we have to address is that it is extremely costly to deal with this issue [in work poverty for couple households]-extremely costly. We have been seeing whether we can find more innovative and perhaps less costly, more targeted approaches, but we are aware of the question for two parent families”.<sup>318</sup>

321. However the Government’s focus on work as the way out of poverty does seem to have contributed to a lack of awareness of in work poverty. While work incentives were mentioned by Ministers as a reason not to raise out of work benefits<sup>319</sup> there seemed equal reluctance to raise inwork benefits. Many of the new in work benefits being introduced are time limited and seem to be work incentives rather than an attempt to tackle in work poverty (these are discussed later in this chapter).

**322. The Government’s failure to address in work poverty, particularly for couple parents, is a barrier to meeting the 2010 and 2020 targets. Ensuring people are better off in work improves work incentives, and will help the Government achieve its 80% employment target, and in the long-term, reduce costs.**

## Low pay

323. In *Delivering on Child Poverty* Lisa Harker stressed the role that low pay plays as a cause of poverty:

“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.”<sup>320</sup>

324. Skills are fundamental to making people ready for work but in-work training and progression in work is also one way to address low pay and in-work poverty. Keith Faulkner of Working Links noted that employers are “not necessarily motivated to improve their [employees’] skills”. He said that unless someone works with both the employer and the individual to help them to continue to build their skills “they will continue to drop back out of the labour market at regular intervals.”<sup>321</sup> Building confidence is a vital part of support and both Richard Exell and Keith Faulkner stressed the role of soft skills, such as getting on with colleagues in the workplace, as well as qualifications in helping people progress in the labour market.<sup>322</sup>

325. In addition the persistence of the gender pay gap means that low pay particularly affects lone parents, who are primarily women. Women working full-time are paid on

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<sup>318</sup> Hansard, 7 January 2008 Column 3

<sup>319</sup> Qq 227, 229

<sup>320</sup> *Delivering on Child Poverty-:what would it take?* A report for the Department for Work and Pensions

by-Lisa Harker <http://www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf>

<sup>321</sup> Q 183

<sup>322</sup> Qq 183, 186

average 17% less per hour than men working full-time; for women working part-time, the gap is 40%. On average, women earn 45% less than men per week.<sup>323</sup> Lisa Harker felt that the gender pay gap would become more of a problem:

“As we look to the future, some of the most significant growth areas of the labour market are in the service sector, 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.”<sup>324</sup>

326. Discrimination against pregnant women in the workplace is also a contributing factor to child poverty. The Poor Relations Project noted that:

“30,000 women lose their jobs every year as a result of becoming pregnant or taking maternity leave.”<sup>325</sup>

327. These women not only lose out on maternity pay, but also find it harder to return to work after the baby is born.

328. YWCA told us of the operation of the gender pay gap when women find work or choose training:

“At present Apprenticeships are also an area of stark inequality for young women. YWCA is concerned about a £40 weekly gender pay gap which is largely a result of young women training in female dominated sectors, such as hairdressing, and childcare.”<sup>326</sup>

329. Fran Bennett told us that the Government’s training programme does not seem to match up with the child poverty objectives. The focus is on obtaining basic skills rather than a recognition that women in particular need higher levels of qualifications to lift them out of poverty. She argued that it is only when women obtained Level 3 qualifications that they saw an increase in pay. She told us that:

“A ‘gender aware’ perspective on child poverty would recognise the close links between child poverty and both the gender pay gap and the under-valuation of much of women’s work, especially in the service sector [...]. It would emphasise the crucial contribution of women’s incomes to tackling child poverty (as well as gender inequality), and thus facilitate women’s access to education and skills, including courses above Levels 1 and 2”.<sup>327</sup>

330. While the Government had made steps, including the 50,000 free childcare places for workless parents announced in the 2007 budget and the provision for free level 3 courses up to the age of 25, she still had concerns, especially given recent announcements:

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<sup>323</sup> Ev 77

<sup>324</sup> *Delivering on Child Poverty: what would it take?* A report for the Department for Work and Pensions by-Lisa Harker <http://www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf>

<sup>325</sup> Ev 78

<sup>326</sup> Ev 15

<sup>327</sup> Ev 44

“It remains to be seen whether these are sufficient to respond to this problem, especially in the context of changes to further education funding and the government’s declared priorities on skills; and many women may only feel ready to return to education after the age of 25, when their children may be slightly older. In addition, the impact of the recommendation in the Freud Report to move many lone parents on to jobseeker’s allowance from income support on their access to further education is not yet clear; but they might find it more difficult to justify their studying whilst in principle having to be actively seeking work.”<sup>328</sup>

**331. The development of skills, including “soft skills”, is essential to helping people progress in work and out of poverty. For some parents, their first job will be the first rung on the employment ladder, and they will need help to realise their potential.**

**332. The gender pay gap is a significant contributory factor for child poverty as most lone parents are women. The Government must do more to address the gender pay gap, and monitor the implementation of the Women and Work Commission’s recommendations on closing the gap. We are concerned by evidence that some Jobcentre Plus advisors are routinely directing women into lower-paid sectors, and call on the Department to urgently institute and then publish research into the reasons for this.**

**333. We welcome the provisions in the Budget that will help workless lone parents to develop their skills, particularly up to level 3. However we are concerned about the effect that moving lone parents onto Jobseekers’ Allowance will have on their ability to access education.**

### **Better off in work credit and passported benefits**

334. One approach to reducing in work poverty and to reducing the damaging effect of “churn” is to use benefits to ensure people are better off in work. On 26 November 2007 the Prime Minister told a CBI conference that: “we will now do more to ensure that the long term unemployed, lone parents and those on IB (Incapacity Benefit) are better off in work, even after reasonable transport costs”.<sup>329</sup> When Caroline Flint gave oral evidence she had suggested that the Government was considering whether the better off guarantee (as it was referred to) should cover transport costs:

“The better approach we have for that at the moment is we are working towards a better off guarantee. The Prime Minister has stated that we are looking at something like travel costs. That is where we are looking towards, how we can see that a family will be clearly better off being in work.”<sup>330</sup>

335. However when the *Ready for Work* White Paper was published it announced:

“In 2008 we will pilot a new better off in work credit which will allow us to assure customers who have been on Incapacity Benefit (and Employment and Support

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<sup>328</sup> Ev 45

<sup>329</sup> <http://www.pm.gov.uk/output/page13851.asp>

<sup>330</sup> Q 240

Allowance on its introduction), Income Support or Jobseeker's Allowance for 26 weeks or more that if they move into full-time work they will have an in work income, including any in work benefits, of at least £25 per week more than they received from out of work benefits. If, on returning to work, a person can show that their weekly income in employment is not £25 more than they received on benefit, even after the in work benefits to which they are entitled, they will be able to apply to Jobcentre Plus for a top-up payment that would take them up to this level. The top-up payment will last for up to 26 weeks. If the trials prove successful we will extend the scheme nationally in 2009.”<sup>331</sup>

336. This credit only applies to income, and there is no mention of the additional costs that may be incurred in taking up employment, such as transport costs, or childcare. The former Minister for Welfare Reform (Caroline Flint) had already told us that the credit would only cover income and not passported benefits. The Chairman pressed her on the issue, pointing out that a parent with three children could lose free school meals worth £20 a week, plus free prescriptions, even before taking account of the other passported benefits. He asked whether the calculations were “a deception”. The former Minister for Welfare Reform responded that “ I understand that point but what we have to look at is how much we can pay”<sup>332</sup>

337. It is clear to us that, with the loss of passported benefits, including free school meals, and increased costs, a substantial number of people will still find themselves worse off in work, notwithstanding the introduction of the better off in work credit. The 26 week time limit on the better off in work credit suggests that it is intended as a work incentive, not to tackle poverty. The better off credit is “to take them up to being” £25 a week better off, so its value will differ according to an individuals circumstances. An individual receiving £25 a week would need to secure a pay rise equivalent to an increase in salary of £1300 a year before the credit stopped after 26 weeks, or face being worse off in work.

338. The in-work credit (£40 nationwide and £60 in London) is also time limited, but this time to 12 months<sup>333</sup>. Some people will have progressed in work by the time their benefits are withdrawn, but a claimant would need a £2,080 pay rise net of tax and National Insurance contributions (£3,120 in London) in their first year to make up for the loss of the in-work credit.

339. CPAG was concerned about the effect that the cutting off of time limited benefits would have, noting it was essential that:

“Employers in particular are investing effort and resource in enabling that employee to progress up the career ladder, to obtain more skills, to improve their qualifications and receive appropriate training so that at the time that the in-work credit is withdrawn they have made a sufficiently big progression within their career to compensate for that, otherwise it is not clear to us in the early days of the in-work

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<sup>331</sup> Ready for work: full employment in our generation pg 25-6.  
<http://www.dwp.gov.uk/welfarereform/readyforwork/readyforwork>.

<sup>332</sup> Q 244-246

<sup>333</sup> Ready for work: full employment in our generation pg46.  
<http://www.dwp.gov.uk/welfarereform/readyforwork/readyforwork>.

credit whether that may prove to be a point at which some parents fall out of the workplace.”<sup>334</sup>

However given the sums of money involved this level of progression seems unlikely.

340. The loss of passported benefits particularly free school meals,<sup>335</sup> but also free travel, prescriptions, leisure activities, and access to the Social Fund, can clearly act as a disincentive to work.<sup>336</sup> In the future, entitlement to some free extended schools provision, which is discussed in more detail later, will also be lost by taking up work. As already discussed, the Minister has rejected providing a better off guarantee that would cover passported benefits.

341. The Low Income Tax Reform Group made the case for extending passported benefits to those receiving the higher rate of Working Tax Credit.<sup>337</sup> This would make better off calculations simpler, but also benefit the inwork poor. Tess Ridge told us how difficult it is for parents to work out whether they are better off in work in practice because of the complexity of the losses and gains of the move into work:

“If one is used to having free school meals the costs of those meals and trying to manage them can be quite difficult. Transport and all those sorts of issues are very difficult things to quantify. When we ask mothers whether or not they feel better off it is quite a difficult question for them to answer. They do not immediately say yes categorically.”<sup>338</sup>

342. Low Income Tax Reform Group went further, saying definitively that the loss of passported benefits mean some people are not better off in work:

“The importance of free school meals in helping families out of poverty has been widely recognised. However, receipt of Working Tax Credit disentitles the recipient from free school meals, thus many are better off on benefits than in work.”<sup>339</sup>

343. Caroline Flint acknowledged concerns about the impact of the loss of passported benefits on work incentives:

“At the present time there is an availability issue for those on income support to have free travel. That needs to be thought through because if people are getting free travel when they are on benefits and they lose it when they go in to work, that is an interesting discussion in itself about incentives or not.”<sup>340</sup>

344. Jonathan Portes, Director, Children and Poverty Directorate, asked whether extending passported benefits was the best use of money:

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<sup>334</sup> Q 135

<sup>335</sup> Ev 129

<sup>336</sup> Ev 110

<sup>337</sup> Ev 129

<sup>338</sup> Q 58

<sup>339</sup> Ev 130

<sup>340</sup> Q 247

“It is a question of whether the government and the families in question themselves would prefer to have those resources flow in the form of free school meals or in the form of financial assistance.”<sup>341</sup>

345. The Minister rejected a better off guarantee which would, in effect replace passported benefits with financial assistance.<sup>342</sup>

**346. We welcome the introduction of the new “better off in work” credit. However it is not yet a guarantee that an individual will be better off in work as it does not cover passported benefits, particularly free school meals, or transport costs. It is a deception to tell people they will be better off in work if this is not the case, or if they will be worse off once time limited credits run out.**

**347. Government policy is designed to help people find work as a way out of poverty. Even a low paid job, which many parents will have to take in order to re-enter the labour market, may have benefits. However, more focus is needed on tackling in work poverty. We are concerned that the introduction of increasing numbers of time limited credits will result in people being tempted into work which leaves them worse off, or is unsustainable once the credit runs out. This would lead to increasing “churn” of people moving in and then out of work when the credits run out. The evidence we have received indicates that this is the worst possible outcome for children’s wellbeing.**

**348. The complexity of calculating the value of lost passported benefits makes it difficult for people to know whether they are better off in work. The Government should recognise that the loss of passported benefits act as a disincentive to work, and should identify a measure to allow passported benefits to be extended to all parents living below the poverty line, along the lines of that used to decide eligibility for help with health costs.**

### **Tax credits and mini jobs**

349. Those who are only able to work for less than 16 hours a week face particular difficulties. At present, due to the earnings disregard of only £20 in means tested benefits, and the fact that tax credits are not payable until 16 hours are worked, the incentives for lone parents to work in such ‘mini jobs’ are extremely poor. In particular the childcare element of Working Tax credit is not paid, leaving a lone parent to find 100% of the childcare costs. Mothers in couples, who do not face these constraints, are much more likely to take up work of this type, helping to explain their higher employment rate: 8% of employed lone mothers work in jobs of less than 16 hours compared with 17% of mothers in couples.<sup>343</sup>

350. Fran Bennett, Jason Strelitz, Martin Narey agreed in oral evidence session that the Government needs to look at employment in a more flexible way:

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<sup>341</sup> Q 243

<sup>342</sup> Q 244-6

<sup>343</sup> Ev 110



“The government does not however appear to be very enthusiastic about encouraging mini jobs, for example by increasing the earnings disregard in income support and jobseeker’s allowance. There are perhaps more imaginative ways of looking at in work when we think about this issue.”<sup>344</sup>

351. Mini jobs can play a vital role for some of the most vulnerable people: Keith Faulkner said they can help people who have been out of work for a long time move into work.<sup>345</sup> Doreen Kenny from the GLA said it was important for parents of disabled children who may only be able to work part time,<sup>346</sup> while Richard Exell said that working part time can keep parents in touch with the labour market, so it is easier for them to move back into full-time work when their children are older.<sup>347</sup>

352. People in insecure part-time work may also have little control over what hours they work, and may find them cut, either short term or long term by their employer. Martin Narey told the Committee about an individual who:

“Had been trying very hard to find her way out of poverty, was working 18 or 19 hours a week, once those hours were cut below the 16-hour level she had to give up work completely and she had to start all over again.”<sup>348</sup>

353. DWP and Treasury officials stressed the importance of mini jobs of less than 16 hours, but felt that there had to be a cut off point below which people could not claim tax credits. Jonathan Athow said:

“It then becomes a question of why 16? Why not more? Why not less? The issue then comes down to one of trying to find a level of work where we can show people there is progress so they will be better off working this number of hours than working no hours at all, at the same time recognising that many people with disability may carry more responsibilities for children. They are not able to make the step to full time work and that is a reasonable level of support.”<sup>349</sup>

354. The Government has announced it will provide 15 hours a week of free childcare for all 3 and 4 year olds, and free places for 20,000 two year olds in the most disadvantaged communities<sup>350</sup>. However the Department acknowledged that more could be done to encourage lone parents to take up mini jobs:

“We might imagine that working a small number of hours could act as a stepping stone to full time work with a higher earnings disregard under the income support rules than other routes. It is a matter of ensuring that we provide opportunities to

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<sup>344</sup> Q 56

<sup>345</sup> Q 163

<sup>346</sup> Q 163

<sup>347</sup> Q 163

<sup>348</sup> Q 85

<sup>349</sup> Q 261

<sup>350</sup> Hansard 11 December 2007 Column 161

people to try work out for a while and provide a stepping stone, a ladder, to get them into working 16 hours or more. There is probably more that we can do there.”<sup>351</sup>

**355. Mini jobs of less than 16 hours a week can be a vital first step into work, particularly for those furthest from the labour market. We recommend that the Government increase the earnings disregard for out of work benefits to improve the incentives for people to work mini jobs.**

## Taper rates

356. Council Tax Benefit and Housing Benefit operate with tapers (or Marginal Deduction Rates); the benefits are paid at a lower level as the claimant’s income increases. The combined taper rate for Housing Benefit and Council Tax Benefit is 85%, meaning for every extra pound a claimant earns, the claimant keeps 15 pence. High taper rates on benefits act as a major disincentive to taking up work and can therefore work to increase child poverty, both by allowing parents to keep less of their income, and by discouraging them from increasing their hours. In some cases it may dissuade them from working at all. The Institute for Fiscal Studies examined the trade-off between redistributing income and improving work incentives. It found that:

“The weakest work incentives are faced by people on low incomes who face having their means-tested benefits or tax credits withdrawn if they increase their income. Such disincentives are much greater than those imposed on high-income people through higher rates of income tax. Over two million workers in Britain stand to lose more than half of any increase in earnings to taxes and reduced benefits. Some 160,000 would keep less than 10p of each extra £1 they earned.”<sup>352</sup>

357. In Chapter 6 we discussed the problem of delays in Housing Benefit caused by people moving in and out of work, and how this could leave claimants homeless, a major disincentive to work. However Ms Green described the level of awareness of housing benefit as an in-work benefit among both claimants and their advisers as “shockingly low.”<sup>353</sup> Jason Strelitz added that this was a particular problem in London, where rents are higher.<sup>354</sup>

358. Jonathan Athrow, Head of Work Incentives and Poverty Analysis, Treasury told us that taper rates for tax credits had been adjusted, but that they were keeping the issue under review. However they were concerned to:

“Keep the right balance between making certain there are good work incentives but at the same time there is concern about how far you want income and means tested systems of support to go up.”<sup>355</sup>

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<sup>351</sup> Q 262

<sup>352</sup> *The poverty trade-off: work incentives and income redistribution in Britain*, Stuart Adam, Mike Brewer and Andrew Shephard, October 2006.

<sup>353</sup> Q 134

<sup>354</sup> Q 74

<sup>355</sup> Q 250

359. The Former Minister for Welfare Reform Caroline Flint felt it was better to focus on ensuring the take up of housing benefit:

“People often were not aware of their access to housing benefit and council tax benefit once they moved into work. Anything we can do to make sure at the very least, regardless of what other discussions we might have about tapers and what have you, that people are getting what they are entitled to is obviously an important part of what we are doing.”<sup>356</sup>

**360. We welcome the Government’s recognition that there are problems with take-up of Housing Benefit, and particularly with awareness amongst customers and Jobcentre Plus advisors that it can be claimed in work. However the problem of taper rates as both a disincentive to work and a cause of in-work poverty can not be ignored. It seems perverse that taper rates start substantially before families are lifted out of poverty, and can serve to keep people below the poverty line. We believe that an adjustment to the Marginal Deduction Rates for Housing Benefit and Council Tax Benefit has the potential both to lift children out of poverty and improve incentives to work.**

## 8 Uprating benefits and improving benefit take-up

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### Security for those who cannot work

361. Even if the Government were to achieve its goal of an 80% employment rate, many would still be out of work, some with children.<sup>357</sup> The TUC stressed that even if these ambitious goals are achieved that would still leave more than 1.6 million people receiving incapacity benefits and 475,000 lone parents on benefits. The lone parents by definition have dependent children, and 59% of those in receipt of incapacity benefits do as well. There are also about 300,000 carers receiving benefits and at least 145,000 people receiving Jobseeker's Allowance who have dependent children. The TUC stressed that “even if we discount the carers, and assume that the Government succeeds in finding jobs for every unemployed parent, a successful jobs-based anti-poverty strategy will still leave about 1.4 million children in poverty.”<sup>358</sup>

362. Richard Exell of the TUC emphasised “If we do not have out-of-work benefits that lift them out of poverty, then their children will not escape poverty, so ending child poverty will not be possible even on the basis of an 80% employment rate, unless we increase benefits as well; it is a mathematical necessity.”<sup>359</sup>

363. The Government's approach to Welfare Reform that seemed to be that only work should lift people out of poverty was criticised by a number of witnesses.<sup>360</sup> Ruth Lister, Professor of Social Policy, University of Loughborough referred to a statement by the former Employment and Welfare Reform Minister, Jim Murphy MP, who told a Department for Work and Pensions Conference (26 March 2007) that benefits would never pay sufficient to lift people out of poverty and nor should they: work, he claimed is the only route out of poverty.<sup>361</sup>

364. Moreover, the original welfare reform principle of ‘work for those who can; security for those who cannot’, outlined in *A New Contract for Welfare*, appears to have been downgraded to the rather weaker ‘work for those who can and support for those who cannot’, as enunciated by the Secretary of State for Work and Pensions in his Commons statement on the *Green Paper, In Work, Better Off: Next Steps to Full Employment*.<sup>362</sup> In DWP's memorandum to the Committee the phrase was further diluted to “work for those who can, supported by financial support targeted at those who need it most, and high quality services for children and their parents.”<sup>363</sup>

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<sup>357</sup> Q 204, Ev 08

<sup>358</sup> Ev 08

<sup>359</sup> Q 204

<sup>360</sup> Ev 02, 08, 13 [YWCA called for higher benefits for mothers who are under 25 including those under 16], 26, 44, 58, 71, 82 [Poor Relations Project called for higher benefits for mothers who are under 25 including those under 16], 104, 120

<sup>361</sup> Ev 02

<sup>362</sup> Ev 02

<sup>363</sup> Ev 131

365. Witnesses to the Committee have criticized this shift. Ruth Lister points out that “the principle, even in its weakened form, represents acknowledgement that not all people of working-age are able to take the paid work route out of poverty.”<sup>364</sup> Kate Bell said “perhaps the emphasis has been too much on “work for those who can” without looking at the real rate barriers for people who maybe in the future will be able to work but at this particular point in time cannot and the support that they need which [...] will go back to adult benefit levels and benefit levels for all children regardless of whether their parents are in work.”<sup>365</sup>

366. When the Committee asked Caroline Flint about this apparent shift of principles and whether she shared the views of her predecessor, she said that she agreed with Murphy that, for those able to work, work should be the primary route out of poverty.<sup>366</sup> However, she also said that “we are still looking at security for those who cannot [work].”<sup>367</sup>

## Adult benefits

367. Lisa Harker and Ruth Lister both argued that the case for improving adult benefit rates, also made for instance by the Harker report and the Fabian Commission on Life Chances and Child Poverty, has hitherto been ignored by Government.<sup>368</sup> Lisa Harker said that the 2010 and 2020 targets will be difficult to reach if benefits continue to decline in value relative to earnings and that the Government needs an uprating strategy for adult benefits.<sup>369</sup>

368. Witnesses criticised the fact that adult benefit rates have fallen further and further behind average earnings.<sup>370</sup> Some stressed that the adult rate represents a more significant element in the total benefits package received by a family than benefits targeted at children and therefore the failure to increase adult benefits in real terms is blunting the effectiveness of the improvement in financial support for children. There is also a strong consensus that this is particularly important in respect of the two-thirds of children in severe poverty whose parents are workless.

369. Jonathan Portes of DWP disagreed with the criticism that failure to increase adult benefits in real terms risks diminishing the effectiveness of the improvement in financial support for children. He stressed that families have seen a significant real increase in their net incomes through the increases in child tax credits and child benefits over the last 10 years.<sup>371</sup>

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<sup>364</sup> Ev 02

<sup>365</sup> Q107

<sup>366</sup> Q 218

<sup>367</sup> Q 217

<sup>368</sup> Ev 02, Q 15

<sup>369</sup> Q 14

<sup>370</sup> Ev 02 [Ruth Lister]; Ev 08 [TUC]; Ev 13 [YWCA called for higher benefits for mothers who are under 25 including those under 16]; Ev 26 [Adrian Sinfield]; Ev 44 [Fran Bennett]; Ev 58 [Barnardo’s]; Ev 71 [Save the Children]; Ev 82 [Poor Relations Project called for higher benefits for mothers who are under 25 including those under 16]; Ev 104 [One Parent Families|Gingerbread]; Ev120 [CPAG]

<sup>371</sup> Q 227

370. Jane Kennedy refused to accept the link between benefit rates and poverty levels entirely:

“I do not accept, and I am sure the Treasury does not accept, that there is a direct link between benefit rate and the level of income that is needed to lift an individual or a household out of poverty. [...]

“We have a comprehensive strategy across a range of policies that is aimed at tackling poverty, and not just the symptoms of poverty; in other words, not just what you measure as a household income but what other factors impact upon that family.”<sup>372</sup>

**371. We recommend that the Government undertakes a review of the uprating formulae presently used for adult benefits. The linkage of these to the Retail Price Index undermines the child poverty strategy in that tax credits and benefits do not keep pace with earnings. Given that child poverty is measured against median earnings the gap between earnings and benefits becomes ever wider. This issue will become even more pressing as we approach 2020 and Government should set out its longer term strategy on benefit income for those unable to work.**

**372. We restate our recommendation in our report on benefit simplification that, following the publication of the Joseph Rowntree Foundation's research into different systems of uprating, the Government undertakes an assessment of the impact on claimants of different uprating measures and the consequences for poverty eradication.**

### ***Impact on incentives to work***

373. Caroline Flint stressed that the Government is reluctant to increase adult benefit rates because it doesn't want to “end up with a system where we inadvertently, by trying to support that important but smaller group, lose sight of the potential to enable people to be able to support their families and stand on their own two feet with the right support in different ways.”<sup>373</sup>

374. Jane Kennedy agreed with Caroline Flint that it is difficult to get the balance right between preserving the incentive for work and supporting those who are out of work.<sup>374</sup> However, Portes said “we think on the whole the balance of support has been about right.”<sup>375</sup>

375. Adrian Sinfield and Kate Green argued that it is the “greatest myth” that benefits are ‘passive’ in acting as a disincentive to work, while labour market measures are ‘active’:

“It is often said that these benefits are passive, they are work disincentives, if you increase them too much then you are simply rewarding people for sitting at home [...], but that fails to understand that these benefits prevent people from falling into

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<sup>372</sup> Q 229

<sup>373</sup> Q 229

<sup>374</sup> Q 229

<sup>375</sup> Q 227

poverty if they are set at an adequate level and that preventative effect is something that we ought to be building into an antipoverty strategy.”<sup>376</sup>

“Calling benefits ‘passive’ discounts evidence that a good benefits system helps people avoid poverty, enabling them to cope and plan more easily when earnings are interrupted for whatever reason. That a generous benefits system can itself be active - effective in promoting employment and preventing poverty - has at last been acknowledged by OECD in reviewing its Jobs Study. By contrast, inadequate benefits and tax credits are far from ‘passive’ in their effect, they can be positively harmful and trap families in poverty.”<sup>377</sup>

376. Lisa Harker stressed that more generous benefit levels are not necessarily a disincentive to work and that international experience shows that more generous benefits can be successfully combined with active labour market policies:

“It is certainly the case that one can have a more generous out-of-work benefits system combined with the right kinds of sticks and carrots to ensure that when people who are able to work are not in employment that experience is a transitory one. One needs to look at the systems in Sweden and Denmark to see that out-of-work support does not push the individual into poverty, but there is also high expectations that that is a temporary situation and the right steps are in place both to support and encourage individuals to get back into a job.”<sup>378</sup>

However, she also pointed out that it is more challenging in this country to get the balance right between generous benefit and incentives to work because of the comparatively low levels of pay in the UK economy:

“But one of the reasons why the work incentive issue is such a difficult and challenging one in this country is that we still have quite significant levels of low pay, so part of the answer to the problem is to think about wage levels and wage inequality which to some extent drive our child poverty problem.”<sup>379</sup>

### ***Impact on those genuinely unable to work***

377. We asked in the terms of reference to this inquiry whether the Government is providing enough support for those who cannot work and we asked our witnesses: for those who are unable to work for justifiable reasons, what is the purpose of out-of-work benefits?

378. Lisa Harker said “it is an issue of social justice where the belief is that the state should support them in situations where they are genuinely unable to work. I do not believe that currently we look at benefit rates in that way, but we have not had a review of what would be a decent level of income for those who genuinely cannot work.”<sup>380</sup>

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<sup>376</sup> Q 141

<sup>377</sup> Ev 30

<sup>378</sup> Q 23

<sup>379</sup> Q 24

<sup>380</sup> Q 24



379. Pressed on the appropriate level of financial support for those unable to work Caroline Flint said that adult benefit levels should not be raised above poverty levels and to raise the levels for a group that is genuinely unable to work is not without complexities:

“As I indicated to the Chairman, at the issue about the amount people need to be above the poverty levels for whom work is completely not an option, that is a discussion that is separate from the one which often takes place about just raising the benefit level. I think we have to be honest about that. You can discuss that. You can then discuss the parameters and how you will organise something like that, because it is not without its complexities, but I think as a whole that should not be the answer.”<sup>381</sup>

**380. The Government should carry out research into the level of benefits needed to ensure the children of those genuinely unable to work are not forced to live below the poverty line, and how this could be introduced without creating a disproportionate burden on the taxpayer.**

### Improving take-up

381. There is strong evidence that rates of take-up of means tested benefits entitlements by poor families have a damaging effect on child poverty. DWP estimates that up to £9.4 billion are not being claimed in means tested benefits by those who are entitled to them.<sup>382</sup> This shows a further fall in take-up since 2006. Last year HM Revenue and Customs revealed that up to £4.5 billion of Working Tax Credit and Child Tax Credit goes unclaimed annually, making a total of up to around £14 billion a year that those in greatest need of support are not receiving.<sup>383</sup>

382. Modelling by the Institute for Fiscal Studies has shown that increases in take-up could be one important element of a child poverty strategy, having a significant impact on the numbers of children in poverty.<sup>384</sup> Save the Children referred to evidence from DWP’s 2007 *Families and Children Study* which showed a lack of knowledge among many on low incomes of their entitlements to support.<sup>385</sup> Jason Strelitz also pointed to recent research by the Citizens Advice Bureau, which showed that people’s confidence in the tax credit system was very low and respondents were deterred from claiming by reports about overpayments and uncertainty about their eligibility.<sup>386</sup>

383. Save the Children proposed: benefit and tax credit simplification; improving the availability of income advice; and public campaigns on take-up.<sup>387</sup> It stressed that

<sup>381</sup> Q 227

<sup>382</sup> DWP press release: <http://www.dwp.gov.uk/mediacentre/pressreleases/2007/sep/efd130907benefits.pdf> Take-up of the main income related benefits in Great Britain: Income Support, Pension Credit, Housing Benefit, Council Tax Benefit and Jobseeker’s Allowance (Income-Based).

<sup>383</sup> <http://www.hmrc.gov.uk/stats/personal-tax-credits/takeup-rates2004-05.pdf>

<sup>384</sup> M Brewer, J Browne, H Sutherland (2006) Micro-simulating child poverty in Great Britain in 2010 and 2010, JRF

<sup>385</sup> Ev 72, Q 81

<sup>386</sup> Q 86

<sup>387</sup> Ev 72

Government expenditure on improving benefit take-up was not matched by the same investment that goes into tackling benefit fraud:

“The DWP needs to make more effort to increase knowledge and awareness of entitlements through publicity campaigns. In 2006-7 while the Department spent £6.8 million on campaigning to target benefit fraud, there was no significant campaign (defined as costing more than £500,000) focussed on promoting take up and entitlements.”<sup>388</sup>

384. We asked witnesses whether take-up campaigns are effective in reaching the most vulnerable and Jason Strelitz, Steven Broach and Kate Green all referred to the good practice example of the Quids for Kids campaign which ran successfully in 2003-04 and might run again in spring 2008:<sup>389</sup>

“Just on take-up I would add that we know the Quids for Kids campaign [...] did do a lot of work on Disability Living Allowance and it really did improve take-up at a lower level and also that when Contact a Family looked at the impact of take-up and surveyed 36 families who had called their helpline, they found that 20 of them were receiving extra benefits and that came to a total of £70,000 a year, so we do know that take-up works if it is done in a very targeted way and focuses on the benefits that are most appropriate for particular groups of people.”<sup>390</sup>

**385. We recommend that DWP increases its funding for take-up campaigns and develops innovative communication strategies to reach families. Quids for Kids is a good practice example on which DWP should build. We also made a number of specific recommendations in our Benefits Simplification report on how the Department could improve take-up of benefit entitlements.**

**386. We believe that the child poverty target should have a high level of priority when it comes to the Government’s taxation and spending policies. We consider it would be helpful if alongside every change to taxes and benefits the Government published a memorandum indicating the expected impact on child poverty.**

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<sup>388</sup> Ev 72

<sup>389</sup> Qq 82, 86, 142

<sup>390</sup> Q 86

## 9 Conclusion

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387. We welcome the Government's ambition in setting itself the challenging target of eradicating child poverty by 2020 and its commitment to improving the life chances of poor children. The Government is right to focus on worklessness in its strategy to combat child poverty; despite having amongst the highest employment rate, the UK has the highest proportion of children living in workless families in the European Union.

388. We welcome measures to support lone parents back to work and we accept that there is a case for placing greater conditionality on lone parents to seek employment. However, we do not believe that the Jobseekers Allowance regime is sufficiently flexible or sensitive to the needs of lone parents.

389. Parents need confidence in the quality of the childcare that is available, and confidence that childcare is affordable and available during the hours that they work. We are not yet convinced that the system merits this confidence.

390. The majority of parents are better off in employment, although for many work does not initially lift them out of poverty. Many parents move frequently in and out of work, which is particularly damaging for children who find it hard to cope with their changing income and circumstances. We welcome more in-work support for lone parents, and the consultation on extending flexible working. However, more could be done to help all parents retain jobs and progress in work. At present the Government's failure to address in work poverty, particularly for couple parents, is a barrier to meeting the 2010 and 2020 targets.

391. If the Government is genuinely committed to the eradication of child poverty, it must accept that even if the 80% employment target is met, some children will grow up in workless households. However, tax credits and benefits are linked to the Retail Price Index and do not keep pace with earnings. Given that child poverty is measured against median earnings the gap between earnings and benefits becomes ever wider if current trends continue. This issue will become even more pressing as we approach 2020 and Government should set out its longer term strategy on benefit income for those unable to work.

## Conclusions and recommendations

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1. Significant progress has been made in tackling child poverty. In 1998-99 the UK had the worst record on child poverty of any major European nation; there were 3.4 million children living in poverty and child poverty had more than doubled over the previous two decades. Since then this rising trend has been reversed and there are now 600,000 fewer children living in poverty. (Paragraph 9)
2. The Committee recognises that the measure based on a percentage of median income before housing costs may mask the true extent of child poverty. For the purpose of benchmarking the Government's target against comparators in Europe, it is appropriate to use the European recognised measure of median income before housing cost. However, we believe that DWP should use the after housing cost measure as the basis for the PSA target. We acknowledge that this will make a difference of close to a million more children in poverty which will make it much harder to achieve the target. (Paragraph 27)
3. It is important that efforts to meet the 2010 headline targets do not lead to neglecting the worst forms of child poverty in the very poorest households. However, we believe that the multi-dimensional *Opportunity for All* indicators capture the wider picture of the experience of poverty. We recommend that the Government continues to monitor its progress against these indicators. (Paragraph 28)
4. We urge the Government to state exactly its definition of 'eradicate'. A child poverty level on a par with the best in Europe (8-10%) would be a significant advance, but the UK still has a long way to go to be amongst the best in Europe. A comparison of poverty before and after cash benefit transfers also shows how it can be done – a number of successful economies in Europe have more generous social policies. However, even the best in Europe are not content with their child poverty levels. (Paragraph 32)
5. We do not doubt the Government's commitment to the child poverty strategy. On current projections, the Government will miss the 2010 target by close to a million children in poverty when measured before housing costs and close to two million when measured after. We believe the 2010 target could be met, but only if further investment is forthcoming. We make a number of recommendations in this report as to ways in which a package of support and investment could be made. (Paragraph 44)
6. We agree with Lisa Harker's assessment that the Government should be at "the most expensive stage" of its child poverty strategy – putting in place investment for the short term and long term objectives. We welcome the Government's additional investment in public services to improve the life chances of children living in poverty. (Paragraph 45)
7. Whilst we welcome the assurance that the Child Poverty Unit is working closely with HM Treasury and that the Unit is reporting to the Child Poverty Board, chaired by HM Treasury, we remain concerned about the lack of HM Treasury involvement at

operational level in the new Unit, particularly as HMT now leads on the PSA target to halve child poverty by 2010. (Paragraph 51)

8. We urge DWP to work with DCSF, local authorities and other partners to address the socially excluding impact of poverty on children. This must be a priority of the new Child Poverty Unit. Children of low income households need support with a range of activities to prevent the effects of social exclusion. In rural areas this particularly includes help with transport. Such projects must be provided in a non-stigmatising way. We were impressed by the Norwegian Government's initiatives in combating social exclusion and we believe that the Department can learn from these examples. (Paragraph 66)
9. We conclude that whilst social mobility in the United Kingdom is both lower than in most other developed countries and has declined since the 1950s, a majority of people in the bottom income group still manage to move up to a higher income group. (Paragraph 76)
10. We recommend that the Child Poverty Unit dedicates a team to look into factors influencing social mobility and how the Departments can better work together to address the relationship of income and educational attainment. This is key to allowing children the best start in life. (Paragraph 77)
11. We are concerned about the extent to which the additional costs related to education affect poor families. Children are missing out on experiences such as school trips and music lessons essential for a good education because of financial constraints. It is often children's awareness of the financial constraints facing their parents which has a negative impact on their aspirations. (Paragraph 85)
12. High quality childcare has a role to play in ensuring that children from disadvantaged backgrounds receive the best start in life. Many parents have concerns about the quality of some of the childcare that is available at the moment. The quality of provision is closely linked to the level of training staff have received. We welcome the announcement in the Children's Plan of at least two graduates in every full daycare setting in the most disadvantaged areas. However, we also recognise that there is a difficult balance to be struck between quality and affordability. We are worried about the impact of employing more graduate staff on the cost of childcare, and we ask the Government to send us details of its assessment of the effect of its announcements in the Children's Plan on cost, affordability and take-up of childcare amongst low-income families. (Paragraph 99)
13. Availability of childcare is a problem for parents working a-typical or part-time hours and for all working parents during school holidays. We welcome the duty in the Childcare Act 2006 on local authorities in England and Wales to address these issues. However it is clear to us that problems may not be easy to overcome. (Paragraph 106)
14. We recommend that the Government continues to roll out Sure Start programmes and other community based methods of reaching severely disadvantaged parents, involving Jobcentre staff directly, and that assessment of the impact on poverty

eradication should remain a key feature of any evaluation of the service. (Paragraph 110)

15. There is evidence of a problem with childcare in deprived areas. Some nurseries may not be sustainable without continuing Government funding. DWP must work with DCSF to ensure there is no reduction in provision, we expect this to be a priority of the new Child Poverty Unit. (Paragraph 114)
16. We welcome the duty in the Childcare Act 2006 on local authorities in England and Wales to assess availability of, and demand for, childcare in their areas. There is clearly a significant mismatch at present between the supply of places and what parents need, but the precise reasons for this mismatch are not yet clear. Until the effects of implementation of the Childcare Act are known, we do not yet recommend major changes in policy. However, it is clear that there are a number of factors which must be considered by local authorities as they analyse the situation in their area. The relative importance of quality, flexibility and cost must be quantified. We ask the Government to ensure that the conclusions of local authorities on this issue are collated and published as soon as they are available. (Paragraph 121)
17. We recognise the role of the 80% rule on the Childcare Element of Tax Credit in making parents shop around for childcare, however finding 20% of the cost is a challenge for those on the lowest incomes. So that parents don't end up paying increasing amounts, the £175 and £300 limits must be uprated to reflect the changing cost of childcare. We recommend that the Government investigate the impact on employment and poverty rates, and the cost of new higher limits to the Childcare Element of Tax Credit for families with more than two children. This assessment should be made available to the Committee. (Paragraph 122)
18. We urge the Department to work with the Treasury to monitor take up of the Childcare Element of Tax Credit, identify the reasons for any problems, and keep the Committee informed of its findings. One contributory factor to low take up may be that the credit is designed for people with a relatively consistent pattern of expenditure. It does not seem designed for parents using care mostly or entirely in school holidays, and the way in which it is administered opens up scope for the poorest and most vulnerable parents to get into financial difficulty. We urge the Government to explore ways in which the administration of the Childcare Element of Tax Credits could be altered to reduce this danger. (Paragraph 123)
19. We welcome extended schools although we have a range of concerns. The CSR provides for two free hours a week, plus two weeks part time during the holidays. We welcome this as an inclusive measure and an opportunity for poor children to take part in a range of activities. However this would still leave a lone parent facing a considerable bill to have their child looked after during school holidays. Extended Schools provision must be high quality to ensure that children wish to attend. There is already evidence that in some areas this is not happening and provision is becoming stigmatised. This is bad for children's well being and will, in the longer term act as a disincentive to work for their parents. We also urge the Child Poverty Unit to keep the pricing levels for extended schools under close review. (Paragraph 130)

20. We welcome new PSA 11 to tackle the gap in educational attainment between disadvantaged children and their peers. Ensuring that poor children are not socially excluded at school, and ensuring that education is free at the point of delivery is vital to improve social mobility, and must be a priority of the new Child Poverty Unit. The concerns of poor children and their families such as uniform costs, school uniform grants, provisions of free school meals in a stigmatising way, and “voluntary contributions” for school trips, must be given a much higher priority. (Paragraph 135)
21. We welcome the Minister’s commitment to look at unfair premiums in childcare costs for disabled children. However many disabled children do require more care and, even without unfair premiums, childcare for disabled children will be more expensive and difficult to find. Parents need help to pay these costs, and we recommend that the Government consider and publish the effects of an increase in the upper limit of the Childcare Element of Working Tax Credit to £300 for disabled children. (Paragraph 144)
22. DWP must work with DCFS and the devolved administrations to tackle school exclusion rates for disabled children, both to improve those children’s life chances and to enable their parents to return to work. They must also work to ensure that parents are not used to cover gaps in school provision for disabled children. The Government should publish a strategy for tackling exclusion rates for disabled children. (Paragraph 145)
23. Lower levels of access to informal care in London cause particular problems in getting certain groups into work, as without the option of informal care, parents face particular difficulties when their children are sick. Lone parents in London are more reliant on formal childcare than in the rest of the country, and that childcare is also more expensive. The cost of childcare is also a significant problem in London and we welcome the Childcare Affordability Programme pilots. We urge the Department to examine the pilots to assess whether measures could be rolled out nationwide to cap the amount low income parents pay for childcare. (Paragraph 153)
24. We are very concerned by evidence that 1 in 5 families with disabled children have had to cut back on food. In and out of work benefits must be set at a level to cover the extra costs of living with disability and ensure a decent standard of living. (Paragraph 160)
25. We believe that Disability Living Allowance must be reviewed to ensure it more closely reflects the additional cost of disability. (Paragraph 164)
26. DWP needs to take steps to improve the take-up of Disability Living Allowance amongst both disabled adults and the parents of disabled children. (Paragraph 165)
27. We also recommend that the Government considers extending winter fuel payments to families with disabled children under five in receipt of Disability Living Allowance at the middle or higher rate. (Paragraph 166)
28. Many parents of severely disabled and terminally ill children are not able to work because of their caring responsibilities; in many cases, if this care were to be provided



by the state it would cost several times the amount paid to the families in benefits. (Paragraph 172)

29. We received mixed evidence on the reasons why so many children from certain ethnic minority groups live in poverty. The reasons seem to be a combination of cultural attitudes to women working, language barriers, problems accessing training, and discrimination in the labour market. The Department needs to monitor its policies to ensure they take account of, and work to tackle, the problems faced by ethnic minorities. (Paragraph 184)
30. We were concerned by the extraordinarily high percentage of Bangladeshi children with a disabled parent who are living in poverty. The Departments needs to identify the reasons for this unacceptable situation and work to resolve them. (Paragraph 185)
31. We also note the lack of information on problems affecting Gypsy and Traveller Communities. We urge the Department to address this gap in its data collection without delay. (Paragraph 186)
32. London has a much lower employment rate than would be expected from the composition of its population. While the rate of full time work is as would be expected for the population, the rate of part time working is much lower. The evidence we have received has suggested that much of this may be due to barriers which are not easy for the Government to overcome, particularly a shortage of, and intense competition for, part-time work. (Paragraph 196)
33. The difficulties faced by lone parents in finding part-time work in London and the expense of London childcare raise significant questions about what the impact will be of moving lone parents in London onto Jobseekers' Allowance. Jobcentre Plus advisors will need to be sensitive to the particular challenges facing lone parents in London. (Paragraph 197)
34. The scale of the child poverty problem in London requires a special solution. We welcome the higher rate of In-work Credit for London, and believe that the Government should consider other tailored measures. (Paragraph 198)
35. We welcome the fact that all DWP employees in Inner London are paid above the London living wage. DWP and other Departments' pay policy should take into account the Government's child poverty objectives. The London living wage is an example of good practice employment from which the Department could learn in drawing up its own policy. We call on the Department to also work with contractors to ensure that staff employed indirectly by DWP also receive at least the London living wage. (Paragraph 202)
36. We welcome the progress the Government has made in tackling child poverty amongst families with a large number of children and call on the Government to keep levels of tax credits under review in order to focus help on this group, as resources allow. (Paragraph 214)

37. We agree with the Government that getting lone parents into sustainable work, that takes them and their children out of poverty, is vital if the Government is to reach its poverty targets. Whilst we accept the case for greater conditionality on lone parents to seek work, we are not convinced that the JSA regime is flexible enough for their needs. There are real concerns that JSA conditionality cannot be adapted to reflect the complex realities of lone parents' lives. We strongly recommend that the Government, through Personal Advisers, applies personal conditionality with the intention of supporting lone parents to enter sustainable employment. Sanctions should never apply when there is proven lack of affordable and suitable childcare or where the lone parent is engaged in work related education or training. (Paragraph 235)
38. We are concerned about the Government's plans to exempt only parents who are entitled to claim Carers' Allowance from the requirement for lone parents to work. The proposal does not reflect the reality for families with disabled children, particularly those with the most sick and vulnerable children. Lone parents of disabled children should receive every support to help them to work, but a broader definition is needed for those exempt from the requirement to work. We recommend that the Government engages in further deliberation on this matter with the relevant stakeholders and seriously consider a wider group for exemption. (Paragraph 240)
39. We are concerned about the impact of the Jobseeker's Allowance sanctions regime on children and family poverty. On Income Support the sanction is 20% of the personal benefit while on Jobseeker's Allowance it is up to 100%. DWP needs to review sanctions levels on Jobseeker's Allowance and develop a strategy on sanctions which takes account of the interests of children. (Paragraph 244)
40. Moving lone parents onto JSA will only be effective if appropriate childcare is in place for them to use. We received evidence that lone parents are currently struggling in many areas to find appropriate, affordable childcare. We agree with Jane Kennedy that "It would be a pretty draconian system" if child care was not available for lone parents and yet the level of income they received was predicated on them finding a job. Conditionality should be linked to the availability of childcare and before and after school care. If a lone parent claims that appropriate affordable childcare is not available, it should be for the Department to show that such childcare is available. (Paragraph 252)
41. The Childcare Act 2006 and extended schools do not apply in Scotland. Childcare provision varies across the UK and this may have implications for a national system of conditionality for lone parents. It would be unreasonable to expect lone parents to face the prospect of sanctions because they do not have access to the same level of childcare that is available elsewhere in the country. (Paragraph 253)
42. We welcome the introduction of the personalised New Deal, as advocated by this Committee in a number of our reports. We believe a much more personalised approach will help the Government to build on its good record of helping more people back into work. However, the approach will only succeed if employment services adapt to the needs of families. A culture change in Jobcentre Plus is needed

to provide better personalised advice to all parents. In addition, we are concerned by suggestions that turnover of Jobcentre staff may undermine the introduction and effectiveness of the flexible New Deal. (Paragraph 261)

43. We repeat our previous recommendation from our report on the Government's employment strategy that "Prime contractors must not be allowed to become sole contractors, or valuable local expertise will be lost, reducing the opportunities to engage with those far from the labour market." In contracting out employment programmes the Government needs to ensure that local expertise is not lost. It is also essential that independence of third sector organisations is not undermined. (Paragraph 266)
44. Whilst we support the Government's City Strategy, we are disappointed with the lack of progress. Bringing together services and agencies at local level to deliver better employment and poverty outcomes for those furthest away from the labour market is a much welcomed approach, if used innovatively. We recommend that the City Strategy Pathfinders use the new Child Poverty Action Group and Centre for Economic and Social Inclusion toolkit to develop strategies at local level to tackle child poverty. We recommend that DWP evaluates outcomes in Pathfinder areas in terms of how their strategies are contributing to the Government's policy objectives of achieving a 80% employment rate and eradicating child poverty. (Paragraph 271)
45. The Government's child poverty strategy must have the child's welfare at its heart and we have received strong evidence that the churn of parents moving in and out of work impacts adversely on both children's wellbeing and their belief in the value of work. Both contribute to intergenerational worklessness and poverty. The effect of parents moving in and out of work may be more damaging for children than continuous unemployment. (Paragraph 282)
46. The focus should be on helping parents to find a job and providing the training necessary for them to sustain employment and improve their prospects of advancement. We call on the Department to identify and address the reasons for the New Deal for Lone Parents under spending on its training budget. (Paragraph 283)
47. We support the in work advisory support to be provided for lone parents. This support is best provided by the adviser who has helped the individual move into work. The Department should consider providing this support to all parents returning to work. (Paragraph 290)
48. We recommend that DWP should use a definition of sustainable employment of 12 months, both in its Jobcentre Plus targets and contracted-out provision. (Paragraph 293)
49. We welcome the national roll out of the Inwork Emergency Discretion Fund. We are convinced of the potential importance of this provision in helping lone parents to remain in work. However if it is to be as effective as intended it must be able to respond quickly to circumstances and those returning to work, and their advisers need to be aware of its existence. (Paragraph 298)

50. Benefit delays and mistakes are a powerful disincentive to work, and can leave vulnerable children destitute and even homeless. This experience will prevent parents taking up opportunities in future. We welcome the pilots underway to improve the efficiency of the way the benefit and tax credit systems respond to people's changes of circumstances. The lessons learned from these pilots must be rolled out nationwide. (Paragraph 305)
51. We welcome the fact that Jobcentre Plus now ensures flexible working is mentioned on adverts. However they can go much further. Jobcentre Plus needs to do more to negotiate flexible working arrangements on behalf of clients who may not have the confidence to do so themselves. Flexible working should play a key role in programmes like the "Local Employment Partnerships." DWP should be doing far more than exploring what employers have on offer, they need to be challenging them to offer more. (Paragraph 314)
52. The right to request flexible working helps ensure parents do not fall out of work when their circumstances change. We welcome the Government's decision to consult on extending the right to request flexible working. We ask the Government to supply the Committee with details of what the consultation will cover, and whether they are considering removing the 26 week rule. (Paragraph 315)
53. The Government's failure to address in work poverty, particularly for couple parents, is a barrier to meeting the 2010 and 2020 targets. Ensuring people are better off in work improves work incentives, and will help the Government achieve its 80% employment target, and in the long-term, reduce costs. (Paragraph 322)
54. The development of skills, including "soft skills", is essential to helping people progress in work and out of poverty. For some parents, their first job will be the first rung on the employment ladder, and they will need help to realise their potential. (Paragraph 331)
55. The gender pay gap is a significant contributory factor for child poverty as most lone parents are women. The Government must do more to address the gender pay gap, and monitor the implementation of the Women and Work Commission's recommendations on closing the gap. We are concerned by evidence that some Jobcentre Plus advisors are routinely directing women into lower-paid sectors, and call on the Department to urgently institute and then publish research into the reasons for this. (Paragraph 332)
56. We welcome the provisions in the Budget that will help workless lone parents to develop their skills, particularly up to level 3. However we are concerned about the effect that moving lone parents onto Jobseekers' Allowance will have on their ability to access education. (Paragraph 333)
57. We welcome the introduction of the new "better off in work" credit. However it is not yet a guarantee that an individual will be better off in work as it does not cover passported benefits, particularly free school meals, or transport costs. It is a deception to tell people they will be better off in work if this is not the case, or if they will be worse off once time limited credits run out. (Paragraph 346)

58. Government policy is designed to help people find work as a way out of poverty. Even a low paid job, which many parents will have to take in order to re-enter the labour market, may have benefits. However, more focus is needed on tackling in work poverty. We are concerned that the introduction of increasing numbers of time limited credits will result in people being tempted into work which leaves them worse off, or is unsustainable once the credit runs out. This would lead to increasing “churn” of people moving in and then out of work when the credits run out. The evidence we have received indicates that this is the worst possible outcome for children’s wellbeing. (Paragraph 347)
59. The complexity of calculating the value of lost passported benefits makes it difficult for people to know whether they are better off in work. The Government should recognise that the loss of passported benefits act as a disincentive to work, and should identify a measure to allow passported benefits to be extended to all parents living below the poverty line, along the lines of that used to decide eligibility for help with health costs. (Paragraph 348)
60. Mini jobs of less than 16 hours a week can be a vital first step into work, particularly for those furthest from the labour market. We recommend that the Government increase the earnings disregard for out of work benefits to improve the incentives for people to work mini jobs. (Paragraph 355)
61. We welcome the Government’s recognition that there are problems with take-up of Housing Benefit, and particularly with awareness amongst customers and Jobcentre Plus advisors that it can be claimed in work. However the problem of taper rates as both a disincentive to work and a cause of in-work poverty can not be ignored. It seems perverse that taper rates start substantially before families are lifted out of poverty, and can serve to keep people below the poverty line. We believe that an adjustment to the Marginal Deduction Rates for Housing Benefit and Council Tax Benefit has the potential both to lift children out of poverty and improve incentives to work. (Paragraph 360)
62. We recommend that the Government undertakes a review of the uprating formulae presently used for adult benefits. The linkage of these to the Retail Price Index undermines the child poverty strategy in that tax credits and benefits do not keep pace with earnings. Given that child poverty is measured against median earnings the gap between earnings and benefits becomes ever wider. This issue will become even more pressing as we approach 2020 and Government should set out its longer term strategy on benefit income for those unable to work. (Paragraph 371)
63. We restate our recommendation in our report on benefit simplification that, following the publication of the Joseph Rowntree Foundation’s research into different systems of uprating, the Government undertakes an assessment of the impact on claimants of different uprating measures and the consequences for poverty eradication. (Paragraph 372)
64. The Government should carry out research into the level of benefits needed to ensure the children of those genuinely unable to work are not forced to live below

the poverty line, and how this could be introduced without creating a disproportionate burden on the taxpayer. (Paragraph 380)

65. We recommend that DWP increases its funding for take-up campaigns and develops innovative communication strategies to reach families. Quids for Kids is a good practice example on which DWP should build. We also made a number of specific recommendations in our Benefits Simplification report on how the Department could improve take-up of benefit entitlements. (Paragraph 385)
66. We believe that the child poverty target should have a high level of priority when it comes to the Government's taxation and spending policies. We consider it would be helpful if alongside every change to taxes and benefits the Government published a memorandum indicating the expected impact on child poverty. (Paragraph 386)

## Annex

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*NORWAY, OSLO 12. – 14. November 2007*

### *MEETING AT THE ROYAL NORWEGIAN MINISTRY OF LABOUR AND SOCIAL INCLUSION, MONDAY 12 NOVEMBER*

Presentation on labour inclusion policies and measures aimed at vulnerable groups in Norway:

The Norwegian Government recently published a White Paper ‘Work, Welfare and Inclusion’ outlining strategies and measures aimed at improving inclusion of inactive people of working age and people who are at risk of dropping out of the labour market.

The White Paper primarily relates to the policy instruments managed by the new, merged employment and welfare administration. The main strategies are:

- Improved measures and services to support access to employment, including targeted measures to support disabled people and migrants.
- A joined-up approach to services based on the individual’s need to improve employability.
- A new, merged temporary income security benefit within the National Insurance Scheme (NIS) to replace the current medical and vocational rehabilitation benefits and invalidity benefits.
- A transition from passive (administration of benefits) to active measures and early intervention.
- A new qualifications benefit for people with limited capability to work.
- A new rights and responsibilities contract.

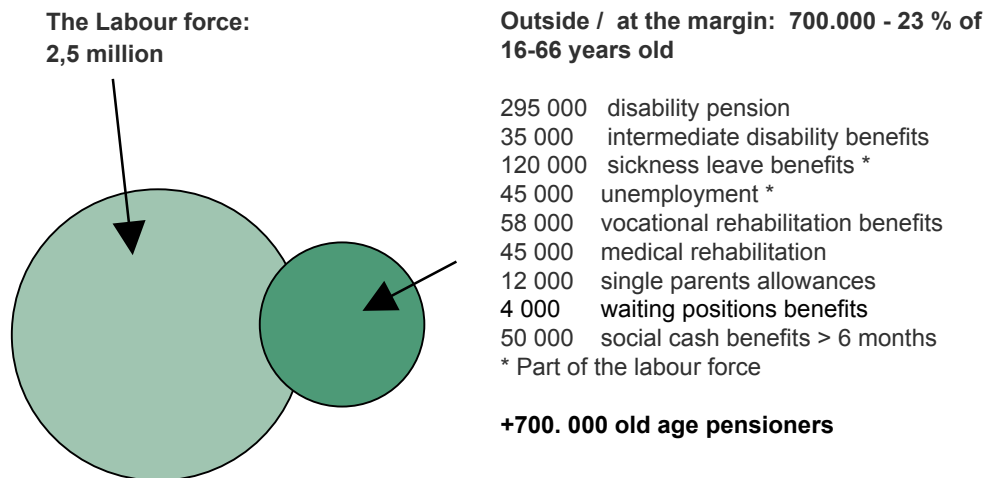
The White Paper defines the new welfare contract as follows:

“The rights will entail economic security, predictability and labour oriented measures that are adapted to individual needs. Obligations will entail active participation in appropriate programs and measures that can both provide motivation and provide a transition to activity and working life, and improving the responsibility for one’s own life. The obligations are also intended to ensure that those who are able to work do not remain passive recipients of benefits.”

Compared to other countries the employment rate in Norway is high, and unemployment is low. This generally indicates that the overall Norwegian labour and welfare system functions well. On the other hand, Norway is among the OECD countries with the highest percentage of the population outside the labour market due to illness or disability. The graph below shows that at any given time, about ¼ of the adult population below the pension age (67) is out of work, receiving social security benefits.

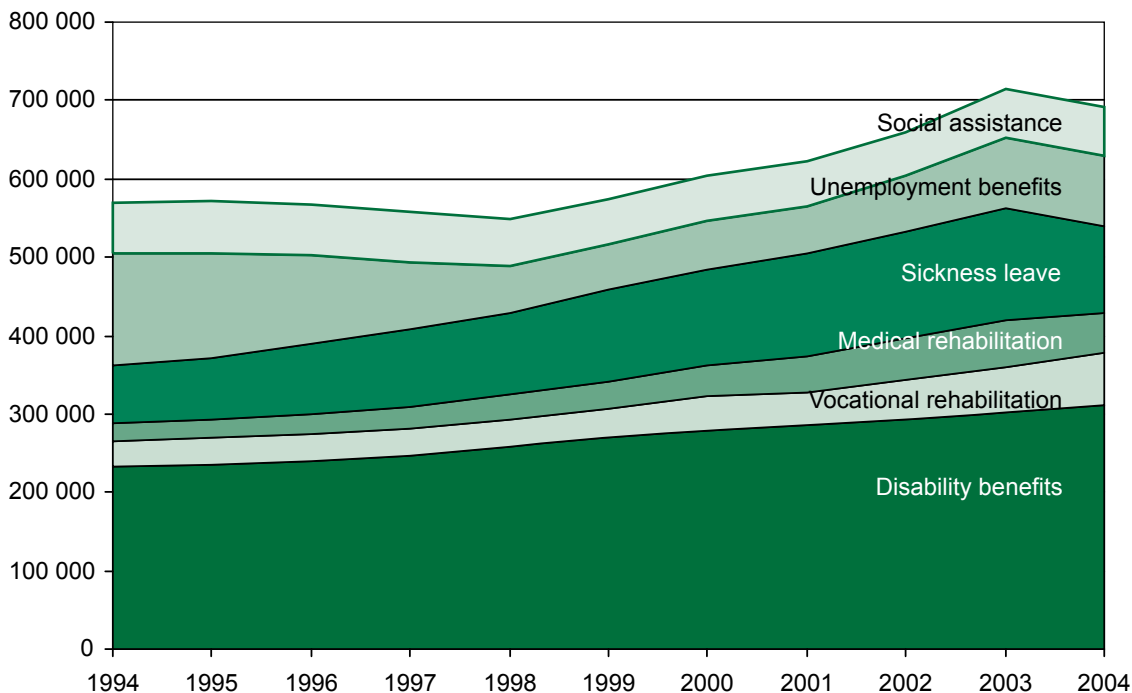


**Figure 1: Norway: 4.7 million inhabitants**  
**Norway: 4,7 million inhabitants**



*The table below shows that over the past 10 years there has been a sharp growth in the number of people who live on subsistence benefits. This growth has taken place in spite of the fact that the overall health of the population has improved. Much of this growth reflects an ageing population, although this can not explain the whole increase.*

**Figure 2: Number of income security beneficiaries**



In Norway everybody is insured under the National Insurance Scheme who is either resident or working as an employee in Norway or in permanent or movable installations

on the Norwegian Continental Shelf. It is financed by contributions from employees, self-employed, employers' contributions and contributions from the state. Contribution rates and grants are decided by Parliament.

The contribution rate for employees is 7.8% of pensionable income (gross wage income). The contribution rate for self-employed is 10.7% of pensionable income (income from self-employment). The contribution rate for other kinds of personal income (pensions etc.) is 3%.

The employers' contribution is assessed as a percentage of paid out wages. The employers' contributions are differentiated according to where enterprises are established. There are regional zones based on geographical situation and level of economic development. The employers' contribution rates in these zones vary from zero to 14.1%.

Persons insured under the National Insurance Scheme are entitled to old-age, survivors' and disability pensions, basic benefit and attendance benefit in case of disablement, rehabilitation benefits, occupational injury benefits, benefits to single parents, cash benefits in case of sickness, maternity, adoption, unemployment, medical benefits in case of sickness and maternity funeral grant.

**Figure 3: Income compensation within the NIS**

Type of risk	Compensation ratio*	Min**	Max**
Unemployment	62%	120	245
Birth Leave	80%, 100%***	33	400
Sickness Leave	100%	33	400
Rehabilitation	66%	120	265
Disability Pension	50-60%	120	265
Old Age Pension	50-60%	120	265

\* Per cent (%) of previous income from work

\*\* NOK per year 2007. 1 EUR = 8 NOK. 1 USD = 6 NOK

\*\*\* 42 weeks: 100%. 52 weeks: 80 %

The Government's objective is to reverse the trend of increasing numbers of people on subsistence benefits and their dependency on such benefits. To this end, the Norwegian Government has recently introduced a new Employment and Welfare Administration, merging the Public Employment Services, the National Insurance Administration and the Municipal Social Cash Benefit Administration. The model for the new Administration is Jobcentre Plus. It aims to better coordinate benefits and improve services for jobseekers.

One central piece of the planned reforms is also early intervention in the workplace to prevent many people going off sick long-term and ending up on disability benefits.

Another central piece of the new strategy is a new 'qualifications' programme, led by the new Employment and Welfare Administration and aimed at long-term Social Assistance

recipients. Jobless people without benefits entitlements from the NIS have to rely on Social Assistance. SA is intended as a short term support, but more than 60 000 people receive SA for more than 6 months during a year. SA is means tested, with weak incentives for work. The Norwegian Government has therefore decided that it needs to include more SA recipients in work oriented activities.

However, the main poverty prevention strategies in Norway (housing, education, employment and social inclusion) are universal and the poverty measure a relative measure. Poverty in Norway is at 3 % of the population below 50 % of median income for 3 years, or 6 % of the population when measured as below 60 % of median income for 3 years. A recent study by the Department of Economics at the University of Oslo also shows that earnings mobility is generally greater in the Nordic countries than in the US and the UK. It also shows that unlike in the Nordic countries, married women with children and husbands from affluent backgrounds tend to drop out of the labour market in the US and the UK. A copy of the study is circulated with this note.

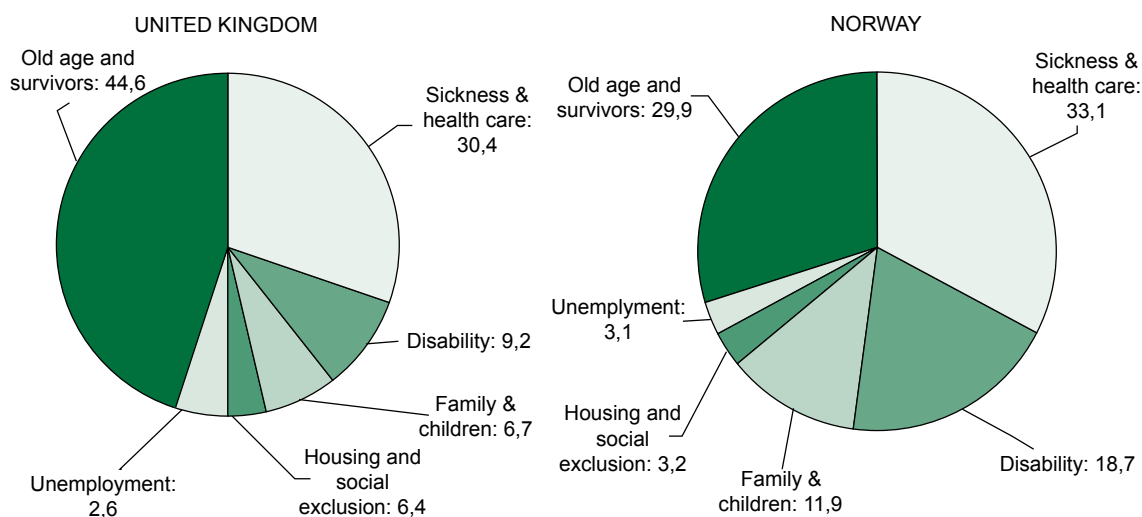
### MEETING AT NOVA (NORWEGIAN SOCIAL RESEARCH INSTITUTE), TUESDAY 13 NOVEMBER

#### Overview of Norwegian welfare policy with special emphasis on child poverty.

The Scandinavian countries had managed to combine high levels of welfare with competitiveness in their economies. Norway spent 26.3% of GDP on social protection, the same proportion as the UK. However, given Norway's higher per capita GDP, this translated to higher social protection spending per capita.

40% of Norway's social protection spending was on benefits in kind (such as provision of childcare and services for the elderly); the country tended to prioritise provision of services rather than cash transfers. The two countries spend similar proportions of total social protection expenditure on sickness and health care (30.4% in UK compared to 33.1% in Norway), but the UK spent a higher proportion of its total expenditure on the elderly (44.6% compared to 29.9%), whereas Norway spent substantially larger proportions on the disabled (18.7% compared to the UK's 9.2%). This was partly due to differences in classification, as 43% of 67 year olds in Norway received a disability pension.

Figure 3: Structure of social protection expenditure as percentage of social benefits 2004



The UK spent 6.7% of its social protection expenditure on families and children compared to 11.9% in Norway. In the UK, 78% of social protection expenditure on families and children was in cash payments (compared to 58% in Norway); the difference was attributable primarily to provision of childcare. In the UK, a low income couple with two children could expect to pay 22% of their net income on childcare, compared to 13% for the equivalent family in Norway.

Recent comparative studies had indicated that the UK provided the most generous packages of child family benefit in Northern Europe, after taxes, benefits, childcare and housing costs. However, the operation of the labour market in the UK was identified as the reason for the higher rates of UK child poverty: there were lower rates of labour market participation and greater earning inequalities.

**Figure 4: Employment rates of women 25-54 by presence of children (2003)**

	<b>No children</b>	<b>One child</b>	<b>Two or more children</b>
United Kingdom	81,6	72,4	61,8
Norway	82,9	83,3	78,0
OECD	75,1	71,5	62,2

Source: OECD

Employment rates for women in the UK fell from 81.6% to 72.4% after one child to 61.8% after two children; in Norway, the rates went from 82.9% to 83.3% to 78%.

There was a strong consensus that mothers should stay at home until the child was one, and that she should return to work after the child was three; there was debate about mothers of children between one and three. The impact of the introduction of the “cash for care” benefit payable to mothers who did not take up state kindergarten provision had not been as significant as had been expected. 10,000 mothers of children aged 1-3 who would have gone to work now stayed home with their children; however, it had been introduced at a time when employment rates of women had been rising. The benefit had contributed to the development of a illegal private provision (black market nannies).

There was no official minimum wage, but there was a basic minimum equivalent to c.£9 per hour agreed between social partners. The Norwegian labour market was still tight, and there had been little “McDonaldisation” of wages, although concerns had been expressed about immigrant labour from eastern Europe pushing down wages.

Norway had been the “laggards” of Scandinavia in terms of healthcare provision, but the teaching unions had prioritised quality in personnel employed in childcare. Childcare was highly rated as a service. Tone Flotten noted that childcare personnel were trained as teachers; a certain number of teachers were required by law in a kindergarten. Even home-based kindergartens needed a pre-school teacher to attend at certain times during the week.

The “cash for childcare” benefit had had a surprisingly small effect on women working and had to be seen within the context of very high levels of participation of mothers in the labour market. Strong cultural norms that women should work overrode the financial incentives. Kindergarten was provided for children until they started school at 6; the educational component of kindergarten was increasing.

**Income packages for families with children (two-parent families, one-parent families, families with handicapped children)**

Individuals in Norway were all taxed separately, regardless of their family situation. However, tax credits were paid for families with one supporter, for example where one partner did not work and single parents. No tax credits were paid for children other than tax deductions for child care expenses for children under 12 and disabled children under 18.

Where both parents were wage earners, 44 weeks of paid leave could be taken, divided between both parents; a minimum birth benefit was paid to non-earning mothers. Child benefit was paid at the same rate for each child and was not taxable; it was estimated that the benefit paid for around one third of a child’s consumption expenditure.

The “cash for childcare” benefit (kontantstøtte) had been introduced in 1997-98, and was paid to parents with a child between ages of 1 and 3 who was not in a day care centre. Social norms that encouraged mothers to work and high wages had meant that the benefit had had limited impact. The biggest impact had been probably to delay mothers’ return to work; also the number claiming the benefit had fallen as the numbers of places made available by the state had risen. A place in childcare was expensive; parents paid 25%, and the national and municipal governments paid the rest.

Means-tested transitional benefit was payable for a maximum of three years for single parents who were not working because of childcare obligations (for children younger than eight). Childcare benefit and educational benefit were also paid to single parents. Single parents were also entitled to claim child benefit for one extra child and additional child benefit was paid to single parents on full transitional benefit with a child under three.

Since 2003, separated parents were supposed to share estimated children’s expenses, proportionately with income and the amount of contact each had. Most child maintenance was collected and paid through the Maintenance Contribution Collecting Agency. Advanced Maintenance could be paid to single parents in cases where the non-resident parent was unknown, had no income, refused to pay or was late with payments. The Agency had strong powers to take money from a non-resident parent’s wages.

The following table gives a worked example of the total benefits payable in a year for four different families, each with one child aged two. The yearly cost of childcare to parents is approximately K25,000, equivalent to £2230. Total yearly benefits payable to a non-working one parent family amounted to £19,417.

**Figure 5:**

	<b>Two parent family</b>		<b>One parent family</b>	
	Both working	One working	Working	Not working

Tax relief for one earner families		19,300		19,300
Tax deduction daycare expenses	7,000		2,450	
Child Benefit	11,640	11,640	23,280	23,280
Extra Child Benefit				7,920
Transitional Benefit				112,296
Child Care Benefit			16,250	
Cash Benefit		39,636		39,636
Advanced Maintenance			15,240	15,240

Benefits for families with disabled children comprised a range of benefits which varied with needs and diagnosis:

- Basic benefit to compensate for additional expenses;
- Attendance benefit to pay for extra care support; and
- Extended Attendance benefit for those with greater needs than could be provided from attendance benefit.

Parents were also entitled to paid leave when a child was in hospital or was seriously ill; full wages were payable for the first year and 50% of wages in subsequent years. Parents with seriously disabled children were also entitled to municipal benefit payments to pay for care for a number of hours each week (provision varied widely between municipalities).

#### **Presentation on income sources and poverty rates among Norwegian families with children:**

Low child poverty rates in Norway are not the results of a focused effort to combat child poverty. Since child poverty emerged as a policy concern in 2001, child poverty had been on the rise in Norway. However, child poverty is still at a very low level compared to the UK.

The reasons for the low levels of child poverty in Norway are a complex interplay of welfare and employment policies: Norway manages to combine high levels of basic benefits with high employment rates, particularly for mothers.

Graphs presented to the Committee showed that child poverty in the UK is almost twice as high in the UK as in Norway. In the UK, the level of child poverty is higher than the rest of the population, compared to Norway where children are only half as much at risk of poverty compared to the rest of the population.

There is also no simple correlation between child poverty and unemployment: the level of child poverty is much higher in the UK (20% in 2000) than the level of unemployment (5% in 2000) compared to Norway where unemployment was low (4%) and child poverty rates (5% in 2000) not much higher. Norway and the UK also have comparable employment rates, although the levels of child poverty differ widely.

Again, in 2000 spending on social security did not differ much between the two countries, but child poverty was much higher in the UK.

### **Presentation on the impact of low income on children's wellbeing:**

The presentation presented the findings of a qualitative and quantitative longitudinal study (2003, 2006, 2009) on the impact of low income on children's wellbeing. The aim of the study is to identify connections between the family's economic situation and certain aspects of children's daily life, particularly, how children and their parents cope with low income so as to identify measures to support families.

The study uses two representative samples of informants from all parts of Norway. The low income sample looks at children in families with incomes below 60 % of median and the control sample looks at children in families across all income groups.

The sample:

- 2003: 1937 parents and 779 10-12 year olds
- 2006: 1303 parents and 1303 10-15 years olds
- Overall response rate in 2003: 54.4 % Overall response rate in 2003: 54.4 %
- Overall response rate in 2006: 67.3 % Overall response rate in 2006: 67.3 %

The characteristics of samples show that the majority of the control and only one third of the low income sample are two-working-parent families with Norwegian or western background whereas lone parents, ethnic minority backgrounds and workless parents are overrepresented in the low income sample compared to the overall population.

In terms of standard of living the two samples do not show significant differences in material terms:

Owned house: 55 % low income sample - 85 % all incomes sample

Children own room: 69 % - 91 %

Almost all families owned a phone, TV and CD player

A car/PC: 80 % - 90 %

Annual holidays: 83 % - 96 %

However, the differences show in terms of health, stress and quality of life:

Health problems: Health 22 % low income sample - 13 % all incomes sample

Psychological stress: 35 % - 25 %



Reduced quality of life: 26 % - 14 %

The study shows how many children from low income families do not feel particularly disadvantaged in the areas below:

- Enjoying school: 8 out of 10 children
- Good relationship with teacher: 8 out of 10
- Good relationship with pupils: 8 out of 10
- Performing as well as others: 9 out of 10
- Participating in leisure activities: 7 out of 10 – compared to 9 out of 10 in all income sample
- Stable friendships: 7/ 8 out of 10
- Difficult economic situation: 6 % of low income children

However, the study still finds differences to the disadvantage of children from low income families. They are over-represented in terms of those performing below average in education (13% low income - 6% all incomes), in need of special education (22% - 14%), rarely inviting friends home (28% - 15%) and less likely to be in possession of three consumer items (55% - 79%). Children in ethnic minority families are particularly disadvantaged.

The study concluded that there is a distribution of poverty within the family by which parents try to protect their children from the negative consequences of poverty. However, there is still evidence of differences in important areas that disfavour children of low-income families. The researchers advocate a rights-based approach to combat child poverty characterised by strong universal welfare arrangements that meet children's needs. Quality day care facilities for children are as important as earnings and social transfers.

The study suggests that the Government should evaluate welfare arrangements with regard to the consequences for children and redesign current welfare arrangements to give them a stronger focus on children's needs. For example, access to educational institutions and leisure activities should be free.

### **Presentation on fighting child poverty at the local level**

In its Plan for action for combating poverty, the Government stated:

“To fight poverty among children is of high importance both in the short and long run (...) The Government will implement measures to assure that children from poor families are able to participate to the same extent as other children.” (Plan of action for combating poverty 2006, p5)

Norway has 431 municipalities and their population size ranges from 214 inhabitants to 548 000. Poverty in those municipalities ranges from 0% to 8.6%. The highest rates are in Oslo districts with up to 17%.

Some examples of the Government's policies and measures are as follows:

Reduce child poverty by increasing family income:

- The work approach (combining work and family life)
- The tax system
- Child benefits/child services (free/subsidised)
- Child allowances in social security

Universal measures/services:

- Universal school system and after school programmes
- Public kindergartens
- Child welfare system
- Free health care
- Public supported culture and sport activities

Alleviating the effects of poverty (schemes organised by the Ministry of Children and Equality and the Directorate for Health and Social Affairs)

- The Urban Children and Youth Projects grant scheme (involves 23 cities and has 6.43 million euros allocated in 2007)
- A special effort linked through the child welfare services (involves 30 municipalities and has 1.25 million euros allocated in 2006)
- Initiative towards selected municipalities through the social welfare offices (involves 46 municipalities and 5 city districts in Oslo and has 1.8 million euros allocated in 2007)

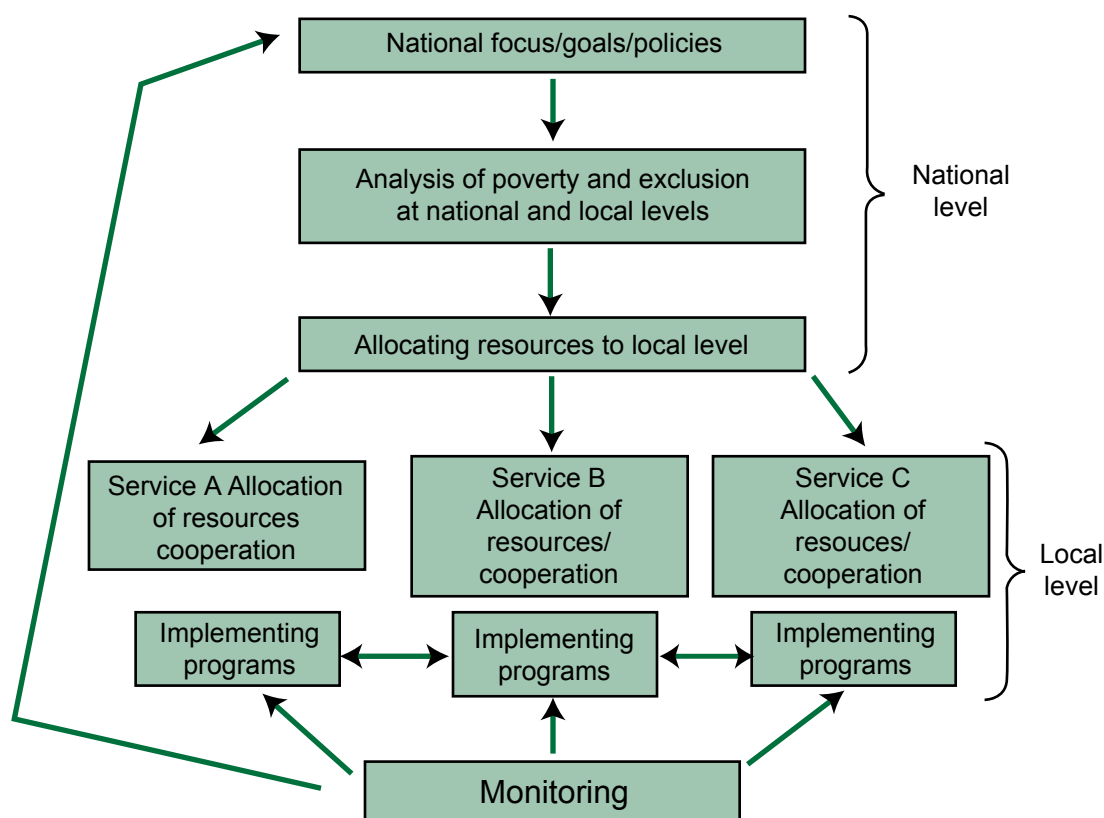
The municipalities are selected by high poverty rates, high rates of families receiving social assistance benefits, are geographically spread and have to apply for Government funding. They are then free to select and develop their own programmes according to local needs and priorities. The aim is to encourage cooperation between partners at local level to develop local policies. The Government also aims for minimal bureaucracy at ministerial level in allocating the funding.

In addition to the usual social work a multitude of programmes are implemented:

- After school programmes
- Vacations
- Participation in culture, sport, etc
- Contributions to membership fees, admission fees etc
- Training programmes for the unemployed

- Arrange for transportation and use of equipment to enable young people to participate in extra curricular activities and sport
- Assisting children and young people in doing their homework
- Support for children whose parents are mentally ill
- Internet cafes

The aim is to develop local knowledge and expertise and encourage local partnerships. The graph below shows how the programme is designed:



Experience with the programmes has been that they are effective and an immediate response to children's experience of poverty and social exclusion. However, it has been acknowledged that it is difficult to assess the impact of these programmes on tackling poverty.

#### **MEETING AT THE MINISTRY FOR CHILDREN AND EQUALITY, WEDNESDAY 14 NOVEMBER**

Norway has a holistic approach to tackling child poverty. It has a strong welfare state with generous universal benefits and services. The Government applies a work first approach in terms of prioritising getting parents back into work. There is an acknowledgement that this is not always to the benefit of the child.

At-risk of poverty groups are targeted with unstigmatised in-kind benefits such as support for leisure activities, help with homework and more local initiatives. The consensus is that it is harder to be poor in a wealthy country and particularly stigmatising to be socially excluded.

The state pays child benefits until the child is 18 (approx £80 a month) and child benefit for one more child than is in the family for lone parents.

The Norwegian Government published an Action Plan in 2006 for the 2007 Budget. The long-term goal is to eradicate child poverty. The measures used are the same as in the UK – the OECD's 50% or the EU's 60% median income measure. However, the measure is a relative measure and the focus of the Government is on social inclusion as poverty is a particularly socially excluding experience in a wealthy country.

At-risk of poverty in Norway are lone parents, single people under 45, families with small children and large families, immigrants and social assistance recipients.

Main measures introduced by the Government and administered by the Ministry for Work and Inclusion are the new qualifications programme (as discussed on the previous Monday), targeted measures for children and young people at local level and improved housing and housing benefits.

The Directorate for Health and Social Affairs stressed that poverty rates vary and that the Government is channelling additional support into certain areas to support families to participate in vocations, leisure activities, homework etc.

The Ministry for Families stressed that it is still a challenge to detect poverty. Huge social problems are not an issue in Norway – the Government is more concerned with the social inclusion of children in low-income families. A particular focus is on the time of transition from childhood to adulthood, when children are particularly vulnerable.

However, Norway has only 10 under 18 year olds in detention and no extra juvenile court and justice system. Young people in Norway have a high organization rate. A majority of young people are members of a youth organization, such as scouts or NGOs. The state provides K80 million in subsidies to NGOs.

Another fundamental element of the Norwegian cultural outlook on the welfare state is a strong gender equality policy. Female employment is high and parental leave entitlements encourage fathers to be involved with their families. Parents are entitled to one year parental leave - 44 weeks on full pay and 54 on 80% pay. Fathers have to take parental leave if the family wants to take the advantage of the full leave entitlements.

Employees with small children have a right to flexible working and sick leave when their child is ill. There are also near 100% daycare provisions which the state (federal and local level) fund to 80%.

However, despite high female employment and fathers involvement in family duties and care, there is still a 15% pay gap between women and men in Norway. The Norwegian Equal Pay Commission is to report in spring 2008.

#### **VISIT TO A SPORTSCENTRE IN OSLO DISTRICT BYDEL ALNA**

The sports club for children and young people has around 2000 members and is in a former farming district of Oslo. A very high percentage (90%) of inhabitants are of non-western background. The sports centre fulfills an important part of social inclusion in this community. It receives funding from central and local government.

The sports club has been incredibly successful transforming the area from one of the most notorious to one with the lowest crime rates in Oslo. The centre has been running for 3-4 years now. Education and employment of young people has also improved significantly, with a high proportion of young people moving on to University.

The club is open every day in the week, including a disco evening for 13 – 18 year olds on Friday evenings. Besides very good sports facilities and activities, the centre also works with the local school to provide help with homework in after school clubs and meals together are an important element too. Afternoon activities for first and second year students are free and run until 8 pm. Afternoon activities in the school have proven more successful in integrating girls from Pakistani backgrounds than the sports club.

The picture is slightly different for the sports club. Around 78% of the girls going to the club have a non-western background, which is an under-representation of non-western girls in the area.

The club recruits facilitators among young people from the area. This has proven very successful in connecting with the community and providing role models for the children. The club has 10 people working 10 – 15 hours a week. Eight members of staff are full-time. Among the team is also a 72 year old lady who looks after the young people and acts like a grandmother to them. She is the authority in the club and enjoys great respect from the children.

The aim of the centre is to integrate everybody in the community. Parents come with their little children for sports activities or language training; even the police take part in activities at the weekend.

# Formal Minutes

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**Wednesday 20 February 2008**

Members present:

Mr Terry Rooney, in the Chair

Miss Anne Begg

Harry Cohen

Michael Jabez Foster

Oliver Heald

Mrs Joan Humble

Tom Levitt

John Penrose

Jenny Willott

Draft Report (*The best start in life: alleviating deprivation, improving social mobility, and eradicating child poverty*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 391 read and agreed to.

Annex and Summary agreed to.

*Resolved*, That the Report be the Second Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written Evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 24 October.

[Adjourned till Wednesday 27 February at 9.15]

## Witnesses

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### Wednesday 24 October 2007

Lisa Harker, **Institute for Public Policy Research**

**Qq 1-26**

Fran Bennett, Senior Research Fellow, **University of Oxford**, Mike Brewer, **Institute for Fiscal Studies** and Tess Ridge, Lecturer, **University of Bath**

**Qq 27-63**

### Wednesday 7 November 2007

Steve Broach, **Every Disabled Child Matters**, Martin Narey, **Barnardo's** and Jason Streliz, **Save the Children**

**Qq 64-105**

Kate Bell, **One Parent Families|Gingerbread** and Kate Green, **Child Poverty Action Group**

**Qq 106-145**

### Wednesday 21 November 2007

Richard Exell, **TUC**, Keith Faulkner CBE, FRSA, **Working Links**, and Alex Bax and Doreen Kenny, **Greater London Authority**

**Qq 146-215**

### Monday 3 December 2007

Caroline Flint MP, **Minister of State for Employment and Welfare Reform**, Rt Hon Jane Kennedy MP, **Financial Secretary to the Treasury**, Jonathan Portes, **DWP** and Jonathan Athow, **HM Treasury**

**Qq 216-298**

## List of written evidence

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1	Ruth Lister	Ev 1
2	TUC	Ev 4
3	Citizens Advice Scotland	Ev 9
4	YWCA	Ev 13
5	Surrey Welfare Rights Unit	Ev 18
6	Adrian Sinfield	Ev 23
7	Remploy Ltd	Ev 38
8	Institute for Fiscal Studies	Ev 39
9	Fran Bennett	Ev 42
10	Every Disabled Child Matters	Ev 46
11	Scope, Treehouse and Working Families	Ev 51
12	WorkDirections UK	Ev 52
13	Barnardo's	Ev 56
14	Joseph Rowntree Foundation	Ev 64
15	National Childminding Association	Ev 66



16	Save the Children	Ev 70
17	Poor Relations Project	Ev 76
18	I CAN	Ev 84
19	Family Fund	Ev 90
20	Mayor of London	Ev 102
21	One Parent Families/Gingerbread	Ev 104
22	CPAG	Ev 114
23	Family Welfare Association	Ev 123
24	Daycare Trust	Ev 126
25	Low Incomes Tax Reform Group	Ev 128
26	DWP	Ev 131; 140; 143; 187
27	Working Links	Ev 151
28	Centre for the Economics of Education	Ev 153
29	Families Need Fathers	Ev 163
30	Tess Ridge	Ev 164
31	Transcript of You and Yours Radio Programme	Ev 170