



March 2007

## Working for Children



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Presented to Parliament by  
the Secretary of State for Work and Pensions  
by Command of Her Majesty  
March 2007

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## Ministerial foreword



On 18th March 1999, the Prime Minister announced an historic target to eradicate child poverty within a generation. Today this remains one of the most ambitious economic and social policy objectives set by any government across the developed world. It is also one of the most challenging.

When this Government came to office, we inherited a situation where one in every three children was born into poverty. The proportion of children living in poverty had more than doubled over the previous twenty years and Britain had the worst record on child poverty of any major European nation.

Over the last decade, we have begun to turn this situation around. The last ten years have seen the UK reducing levels of child poverty faster than any other EU country. This has not happened by chance. It has been a direct consequence of the policies that have been put in place to extend opportunity to all. From the introduction of the National Minimum Wage and Tax Credits, to the Sure Start programme, we have made huge strides forward in promoting better life chances for the least well-off. It is our fundamental belief that work is the most sustainable route out of poverty and our labour market policies have delivered unprecedented success over the last decade, with two and a half million more people in work.

But there is much more we must do if we are to reach our goal of eradicating child poverty. Last year saw us narrowly miss the first of our interim targets and highlighted the scale of the challenge we still face. Eight years on from setting the target we remain absolutely committed to our goal.

That is why I asked Lisa Harker to carry out an independent review of our child poverty strategy. It is also one of the reasons why I commissioned David Freud to undertake a wide-ranging assessment of our welfare system to ensure that it is fit to rise to the challenges of the years ahead. These reports have played a critical role in informing the debate on the way forward.

This strategy sets out the additional measures that my department will take to contribute to the eradication of child poverty by 2020. It is only one element of a cross-government strategy – policies on tax credits, child benefit, housing, childcare and education are equally important and intrinsically linked. But the role of employment in helping people to lift themselves out of poverty cannot be underestimated. We must ensure that we enable parents to take full advantage of the opportunities that work can bring, for themselves and for their families.

A handwritten signature in black ink, which appears to read 'John Hutton'. The signature is fluid and cursive, written in a professional style.

Rt Hon John Hutton  
Secretary of State for Work and Pensions  
March 2007

## Executive Summary

In the mid to late 1990s, child poverty was higher in the UK than in nearly all other industrialised nations. Over a period of twenty years, the proportion of children in relative low-income households had more than doubled. One in five families had no one in work and one in every three children was living in poverty.

In March 1999, the Prime Minister responded to this by pledging to eradicate child poverty within a generation. This pledge was underpinned by ambitious targets – to reduce child poverty by a quarter by 2004/05, by a half by 2010/11 and to eradicate it by 2020. Though the Government narrowly missed the 2004/05 target, significant progress has been made. We have also succeeded in arresting and reversing the long-term trend of rising child poverty: there are now 600,000 fewer children living in relative poverty than in 1998/99. Instead of having the worst child poverty rate in Europe, the UK is now close to the European average. But there is a long way to go. The Government's continuing commitment is demonstrated by the measures set out by the Chancellor in the 2007 Budget to increase financial support for children and working parents. These will lift an additional 200,000 children out of poverty.

Eradicating child poverty will require action across a whole range of policy areas – the tax and benefit system, employment, education, health, housing and many more. It will require not only the efforts of government but of civil society as a whole. This document does not set out the Government's overall strategy on child poverty – that was set out in the child poverty review which was published alongside the 2004 Spending Review. Instead it focuses on one key, central element in that strategy – the role of parental employment, and what Government can do to help parents, through their own efforts, to lift themselves and their children out of poverty.

Work is the best route out of poverty for most parents and their children. This is not only because children in families where parents are in work are much less likely to be poor in income terms, although this is of course the case. It is also because it is paid employment that offers the most sustainable route out of poverty for the longer term; because work is good for the physical and psychological health of parents and hence of their children; and because children who grow up in workless households are themselves much more likely to be poor in adulthood.

So getting more parents into work is central to reducing child poverty over the longer term. Much has been achieved. The UK has the highest employment rate in the G8. A combination of successful macroeconomic and labour market policy, targeted tax and benefit policies designed to improve work incentives without punishing those on benefit, our investment in childcare and successful active labour market policies – especially the New Deal for Lone Parents programme – have made a major difference. Between 1978 and 1992 the lone parent employment rate had fallen by over 6 percentage points to 40.7%, a damaging and seemingly inexorable social trend. But since 1992 the employment rate of lone parents has risen by 16 percentage points to 56.5% in 2006. There are over 1 million lone parents in work today.

But major challenges remain:

- reaching a 70 percent employment rate for lone parents is our aim: despite significant progress there is still some way to go;
- more needs to be done to help lone parents keep jobs, and progress in work;
- although couple employment rates are high overall, some groups are not benefiting equally;
- for many households, especially single-earner couples, having a job is not enough to lift them out of poverty. Around half of poor households have at least one parent in work.

So we need to do more. In May 2006 the Department for Work and Pensions committed to renewing our strategy to ensure that we maximise our contribution to reducing and eradicating child poverty. In June 2006 we invited Lisa Harker to carry out an independent review of our strategy. This was published in November 2006. Earlier this month, David Freud's report on welfare programmes more widely was published.

We welcome the Harker and Freud recommendations and this strategy paper sets out our response, and proposals for further consultation.

If we are to make further inroads into reducing child poverty we need to build on our success to date – maintaining and expanding the elements of our policies which have been a success while exploring new ideas and delivering new solutions. Taken together, the Harker and Freud reports suggest that action is required in three main areas:

- building support through increased rights and responsibilities for lone parents;
- helping people to stay in work and progress in employment;
- developing a family focus in our work with parents.

## Building rights and responsibilities

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As David Freud observed in his recent report, we lag behind most other countries, particularly those with very low levels of child poverty like Sweden and Denmark, in terms both of what we expect from lone parents and the help and support that we provide to get them back into the labour market. As a consequence the employment rate for lone parents, though rising, is still lower than many other countries.

We welcome David Freud's review and are considering his proposals over the next few months. On lone parents, he suggested the following way forward:

“I would therefore recommend that from 2008, to broadly coincide with the creation of the ESA, the Government reduces the point beyond which a lone parent can claim income support from when their child is 16 to 12.”<sup>1</sup>

We think that this is the right direction of travel and that we should consider a move to Jobseekers Allowance, with the same basic financial entitlements, but a much greater work focus, for those that are able. We accept that some would move onto another appropriate benefit reflecting ongoing caring responsibilities or health problems.

We also recognise that getting the right support in place to support transition and a return to work will be crucial. The Budget announced an extension, and in London an expansion, of the successful In-Work Credit for lone parents, which gives lone parents moving into work an extra £40 per week. This will now rise to £60 per week in London. The Welfare Reform Green Paper also proposed the introduction of a Work Related Activity Premium of £20 per week for lone parents with older children on income support preparing for a return to work; we remain attracted to this in principle but we need to consider how it might best be structured in a context where such lone parents would be expected to claim Jobseekers Allowance.

Relationships end, but responsibilities do not. For families where the relationship between the parents has broken down, child maintenance has an important role to play in keeping children out of poverty. Maintenance payments currently keep around 100,000 children out of poverty, but many more families could potentially benefit. We will put in place a simpler system that encourages and helps parents to make their own arrangements for child maintenance and which prioritises the needs of children, especially poor children. From 2010–11 the Government will significantly increase the amount of maintenance that all parents with care on benefit can keep before it affects the level of benefits they receive, putting more money in the pockets of poor parents.

## Helping people to stay in work and progress in employment

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We have been very successful at getting people into work and our innovative welfare to work proposals have been replicated elsewhere in the world. But while work remains the most sustainable way out of poverty, helping parents get a job will not always be enough to lift them and their children out of relative poverty. Almost half of poor children live in a household where at least one person is already in work.

If we are to tackle in-work poverty it is important that we build on our success in getting people into work by helping them to stay in work and progress in their jobs. A key determinant of the stability of a person’s employment experience and what they can expect to earn is their skills level. This includes basic skills such as literacy and numeracy, language skills and generic skills such as interpersonal communications as well as formal qualifications.

The Leitch Review of Skills sets out a framework through which the issues of sustainability and progression in work can be addressed. Recommendations include screening for basic skills needs, help in addressing skills needs for those in and out of work, a new adult careers service and a new objective for skills and employment services focused on sustainable employment and progression. We will be working closely with colleagues in HM Treasury and the Department for Education and Skills and the devolved Governments to consider the recommendations and next steps.

The Employment Retention and Advancement Demonstration (ERA) project provides adviser support and financial incentives for low income workers to stay in work and to take up training. Early results are promising; lone parents on ERA earned more than other lone parents, partly because the financial support encourages them to make the move from part-time to full-time work; and those participating in ERA were more likely to take up training both in and out of work.

Evaluation is still ongoing, and will provide us with valuable lessons on how we can sustain employment and help those with lower skills progress and lift their families out of poverty.

## More family focus in our Welfare to Work support for parents

Lisa Harker's report said that our Welfare to Work programmes should become more attuned to the needs of both couple and lone parent families. We agree, and we want to refocus the attention of Jobcentre Plus on parental employment and poverty. We will be looking at the following measures:

- we want to extend the support available under the successful New Deal Plus for Lone Parents to all couples and lone parents on benefit in London;
- we want to reform our interventions for partners of benefit customers, possibly looking at how together couples can best fulfil our requirement that at least one of them is actively seeking employment;
- while we have successful policies for moving benefit customers into work, the partners of those in work are not DWP clients and do not at present automatically receive any advice or support if they wish to work. We know that many of these potential second earners wish to work, though many face significant barriers to employment. The Partners Outreach pilot for second earners started in February 2007 in six cities and will allow us to build our evidence base on how we can best engage with and support this group;



- we need to join up the major expansion of childcare provision with our employment programmes. Lisa Harker's report pointed out that Jobcentre Plus and Children's Centres did not always work closely together. So we need to ensure that childcare meets the needs of parents seeking to move from welfare to work. Local Authorities will work closely with Jobcentre Plus to ensure we gather the necessary intelligence on the childcare needs of our clients. In future all parents, not just lone parents, on welfare to work programs will be asked about their childcare needs. Subject to evaluation results we will also consider extending the offer of childcare tasters to all parents;
- children from some ethnic minorities – particularly those from a Pakistani or Bangladeshi background – face a much higher risk of being in poverty; many also face much more entrenched barriers to labour market participation. The Partners Outreach pilot for second earners started in six cities in early 2007. The primary target group is Bangladeshi and Pakistani partners of people in work and low income. Those taking part in the programme receive help with jobsearch, finding suitable childcare and dealing with language and skills barriers. The pilot will add to our knowledge of what works for this group. In addition it was announced in Budget 2007 that there would be additional funding for work-focused English as a Second Language training in East and West London; and
- we will reform the Jobcentre Plus target structure, to give a clearer focus and incentive for Jobcentre Plus staff to focus on helping people with children

Of course, all this takes place against a wider background of our reforms to the welfare system. The Welfare Reform Green Paper *A new deal for welfare: Empowering people to work* set out our proposals for achieving an 80 per cent employment rate for people of working age. Achieving this goal will play a crucial part in reducing child poverty.

We believe the measures set out in this document will help us build on the success we have already achieved in helping parents into work, and their children out of poverty. But this is not a task for Government alone. We need to work in partnership with parents, local authorities, the private and voluntary sector and civil society more widely. We see this is a strategy not a blueprint for delivery.

## A New Deal for Families

### A summary of new measures to promote parental employment announced in Budget 2007 and in this strategy

The New Deal Plus for Lone Parents (NDLP Plus) is an innovative and integrated package of support for lone parents. We plan:

- to extend NDLP Plus until March 2011;
- to expand NDLP Plus to cover all lone parents in London;
- to extend key elements of NDLP Plus, including adviser support to all couple parents on benefit in the current pilot areas and throughout London.

The In-Work Credit for Lone Parents provides an extra £40 per week for lone parents moving into work in 40 per cent of the country, including almost all of London. We plan:

- to extend In-Work Credit until June 2008;
- to increase the rate payable in London to £60;
- to pilot the linking of the credit to adviser support, to promote retention in work for lone parents, based on the successful Employment Retention and Advancement model.

We will provide advice and support for the partners of parents claiming Jobseekers Allowance, with the introduction of 6-monthly work-focused interviews for this group.

In London, we will also provide the following extra support:

- financial support for up-front childcare costs in London;
- a major expansion of work-focused English as a Second Language provision, delivered through the cities strategy pilots in East and West London.

Budget 2007 also made provision for increased childcare capacity to enable more families to access high-quality childcare with 50,000 additional places announced.

# 1. Introduction

This Government has made a clear commitment to tackle child poverty; to break the cycle of deprivation throughout people's lives; and to help build a society where no one is held back by disadvantage or lack of opportunity.

We want a country where:

- every child has the chance to succeed;
- no child has his or her opportunities denied because their family is too poor to afford basic essential items;
- every mother or father out of work has access to financial support for their children, and to the help they need to get a job, to keep a job and to progress in work;
- every parent has the opportunity to lift themselves and their children out of poverty; and
- no child is denied any opportunities because of where they live, the colour of their skin or because they or their mother or father is disabled.

In the mid- to late 1990s, the United Kingdom experienced higher rates of child poverty than nearly every other industrialised nation. Over a period of 20 years, the proportion of children in relative low-income households had more than doubled. One in five families had no one in work and one in every three children was living in poverty.

In March 1999 the Prime Minister responded to this by making a pledge to eradicate child poverty within a generation. The Government set challenging goals to reduce child poverty by a quarter by 2004/05, to halve it by 2010 and eradicate it by 2020. We have already made substantial progress. The 2005/06 Households Below Average Income statistics show that there are 600,000 fewer children in poverty than in 1997, but we need to do more if we are to achieve our goals.

## A cross-government task

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While this document sets out how the Department for Work and Pensions (DWP) can maximise its contribution to reducing child poverty, the cross-Government strategy for tackling child poverty is set out in *Opportunity for All*<sup>2</sup> and the *Child Poverty Review*,<sup>3</sup> published alongside the 2004 Spending Review White Paper. The strategy has four key elements:

- providing financial support for families in line with the principle of progressive universalism;

- providing employment opportunities for all, and support when people cannot work;
- tackling material deprivation through promoting financial inclusion and improving housing; and
- delivering excellent public services to improve children's life chances and break cycles of deprivation.

The Spending Review recognised that child poverty is about more than just income. The Government's strategy for tackling child poverty also involves ensuring that there is work for those who can and support for those who cannot; supporting parents in their parenting role; and delivering high-quality public services.

The Review also highlighted the impact child poverty had across a range of government departments.

With the publication of the *Every Child Matters* Green Paper in 2003 and the introduction of the Children Act 2004, the Government signalled the importance of partnership working in delivering improved outcomes for children. *Every Child Matters* brings together all government departments, 11 in all, with a central interest in improving outcomes for children.

Helping parents into work plays an essential part in improving the lives of children. The financial and wider stability offered by a working parent creates a positive environment for children and has a tangible influence on a range of important outcomes.

The underlying principle of DWP's strategy has been that work is the best route out of poverty and we have achieved significant success in getting parents into work. The lone parent employment rate stands at 56.5 per cent up by over 11 percentage points since 1997. The total number of children living in workless households has fallen by 440,000.

**Despite this progress a number of challenges remain.** We are still some way off meeting our target to increase the lone parent employment rate to 70 per cent by 2010; work is not always enough to escape poverty and, although couple employment rates are high, 50 per cent of poor children living in workless households.

Given these challenges, in March the Department for Work and Pensions made a commitment to renew its strategy to ensure a maximum contribution to reducing and eradicating child poverty. In June 2006 we invited Lisa Harker to carry out an independent review of our strategy, published in November 2006. And in March 2007 David Freud published wider report on welfare programmes.

The measures set out in this document will help us build on the success we have already achieved in helping parents into work, and their children out of poverty.

## Child poverty in context

### Which children live in poverty?

Children living in workless households, lone parent families, large families, with a disabled adult, from an ethnic minority and in social housing are more likely to live in low-income households.<sup>4</sup> Many of these characteristics overlap and all are associated with worklessness.

Worklessness is a key cause of poverty. Just over a half of children in poverty are in workless households. Around two-fifths of poor children live in lone parent families, the majority of whom are without work. Close to one-fifth of poor children are in couple families not in employment. We have a Public Spending Agreement target to reduce the proportion of children living in workless households.

### How do we define child poverty?

A child in poverty lives in a family with resources that are far lower than the average, with the result that they cannot fully participate in society. It can also mean that the family experiences poorer access to services and other disadvantages such as poorer quality housing and neighbourhoods or lower levels of financial assets.

Our long-term measure of child poverty consists of three indicators to reflect that, while income is a key aspect of child poverty, it is not the only consideration. Table 1 outlines the three indicators we use – child poverty is falling when all three indicators are decreasing.

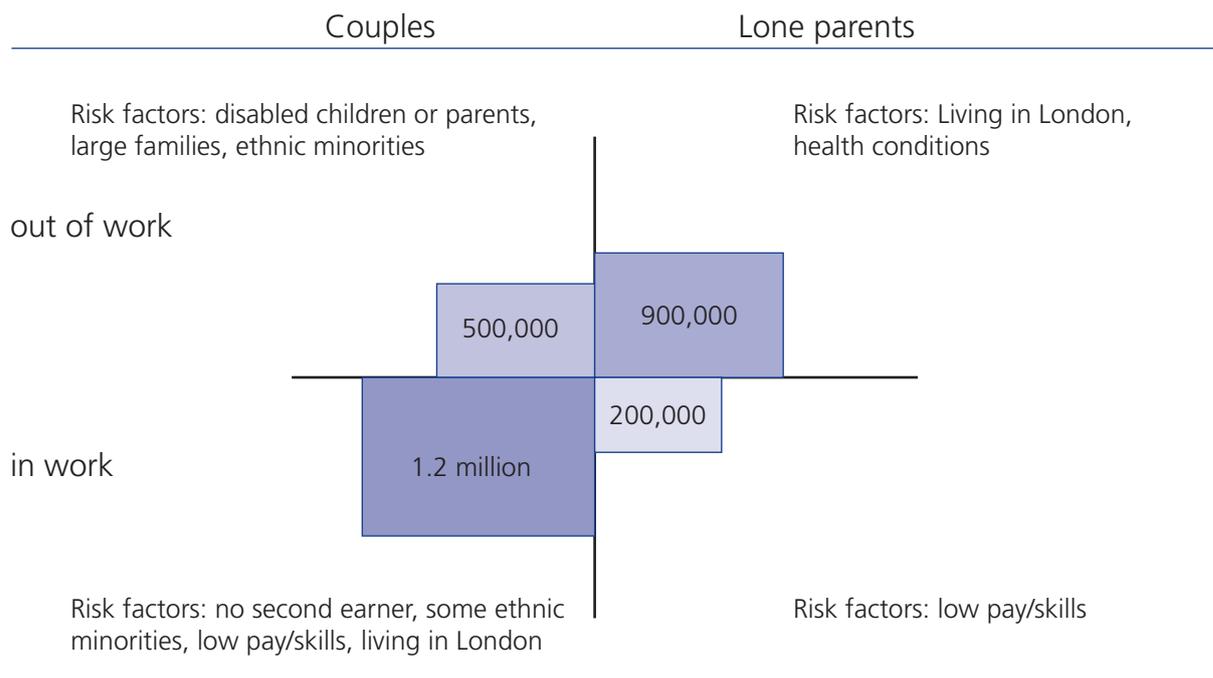
**Table 1: Three indicators of child poverty**

Type of poverty	What it measures
Absolute low income	Whether the poorest families are seeing their incomes rise in real terms.
Relative low income	Whether the poorest families are keeping pace with the growth of incomes in the economy as a whole (poor families are defined as families whose household income is less than 60% of the median household income).
Material deprivation and low income combined	A wider measure of families' living standards, the details of which will be set out as part of the 2007 Comprehensive Spending review.

This measure was developed as part of a wide consultation exercise and is the basis for the Public Service Agreement target to halve child poverty by 2010. This measure is underpinned by the *Opportunity for All* multi-dimensional indicators.

However, working families also experience poverty – this may be because their work is low paid and/or because of the number of hours they work. Almost half of all children in poverty are in households in which at least one adult works, the majority of which are couple families. Hence the Government’s dual aims to tackle worklessness and to make work pay. Figure 1 sets out the composition of poverty by family type and work pattern.

**Figure 1: Child poverty by family type for working and workless families**



Figures based on relative low income definition of poverty.

Other characteristics associated with a child living in poverty include:

- large families – over two-fifths of poor children live in households with three or more children (yet children in families of this size make up less than one-third of the total child population);
- disability – living in a household in which an adult has a disability increases the likelihood of children in the household being poor: 26 per cent of poor children live in a household with a disabled adult;
- ethnicity – although children in ethnic minority families make up 14 per cent of the total child population, they make up 25 per cent of all poor children; and
- housing – children living in local authority or housing association homes are particularly likely to be poor.

A number of these characteristics are related to worklessness or low-paid work. For example, in spring 2006, 31.6 per cent of Pakistani or Bangladeshi children were in workless households (compared to 13.8 per cent of white children). Large families are also disproportionately affected

by worklessness. In spring 2006, 30.7 per cent of children in families with four or more children were in workless households compared with 11.4 per cent of children in families with two children. Recent research has shown that the employment disadvantage associated with being a large family is more important than family size itself in determining the risk of poverty for these families.

## Ethnicity and Child Poverty

Children from some ethnic minorities face a much higher risk of poverty across all types of household; 45 per cent of Black Caribbean/Black African children in Lone Parent Households are poor, compared to 33 per cent of white children. Even more striking is the high level of the in-work poverty amongst some ethnic minority groups; 54 per cent of Pakistani/Bangladeshi children in working households remain in poverty, compared to just 12 per cent of white children.

Tackling ethnic minority worklessness will help address child poverty. Over 40 per cent (about 1.4m) of ethnic minority people of working age are not in work and of these, 0.25m are unemployed (not working but actively looking for work). The remainder (about 1.2m) are economically inactive (not working and not looking for work). We therefore need to focus resources on the economically inactive as well as the unemployed.

While many economically inactive ethnic minority people are for example, lone parents on Income Support or Incapacity Benefit recipients, and consequently in touch with Jobcentre Plus, a substantial number are neither claiming welfare benefits nor looking for work, and therefore not accessing Jobcentre Plus services. Many are partners of those in low paid jobs and can be worse off than families where both parents are receiving welfare benefits.

Of course not all economically inactive people want to work or are in a position to work. But there are many who, if helped into work, could be lifted out of poverty and could contribute to the economic vibrancy of the UK. Recent research by DWP and the equal opportunities commission shows that contrary to stereotype, many inactive women of Pakistani and Bangladeshi origin with children would like to work in appropriate circumstances. However, many face multiple barriers, for example, lack of English fluency and lack of available culturally acceptable childcare. A number of the measures described in this document, including the Partners' Outreach programme and the measures designed to focus on parents in London, are designed to address these specific issues.

## What does poverty mean for children?

Children who grow up living in poverty and in disadvantaged neighbourhoods are more likely both to experience a poorer quality of life in childhood and to have poorer outcomes as adults.

Both chronic and transitory periods of poverty are harmful to children's lives and well-being. The repercussions of poverty are felt throughout their social and familial lives.<sup>5</sup> In particular,

experiencing a low-income childhood in an affluent society can have a profound effect on children's social confidence and well-being, especially when they suffer restricted opportunities for social participation and struggle for inclusion in the everyday expectations and activities that are available to their more affluent peers.

Low-income children are under considerable social and material pressure to maintain their social relationships and social participation with their peers. This is a key preoccupation for children experiencing poverty.<sup>6</sup> Children in low-income households have reported their fearfulness of being seen as poor and being excluded by their peers – in other words, the stigma of poverty. Some low-income children are acutely aware of their families' financial circumstances, making efforts to curtail their own needs in an attempt to protect their parents and relieve financial pressures within the household.

### What children say about why child poverty matters

In summer 2006 we held a two-day event with children from all over the UK to listen to their views about how poverty affects their lives and what they think the Government needs to do. Some of the views of the children on why eradicating child poverty matters are set out below.

*Because kids living on the streets all the time have nowhere to go.*

*If there are people with more than others they're not going to get along and be friends because of the way they've been brought up.*

*It's really important because these problems that are here now aren't going to go away if generations are growing up and they're still living in the same way.*

*Child poverty can lead to bullying, discrimination and racism, so if you can eliminate child poverty you can eliminate those problems as well.*

*It's important because it can be carried on. There are many people who need some help and we should help them.*

*Because some children are not getting three meals a day and they're dying quicker.*

*It's bad – people are suffering from lack of schooling, lack of money, lack of water.*

*Everyone should be able to afford food, housing, and live a good life. It's really important.*

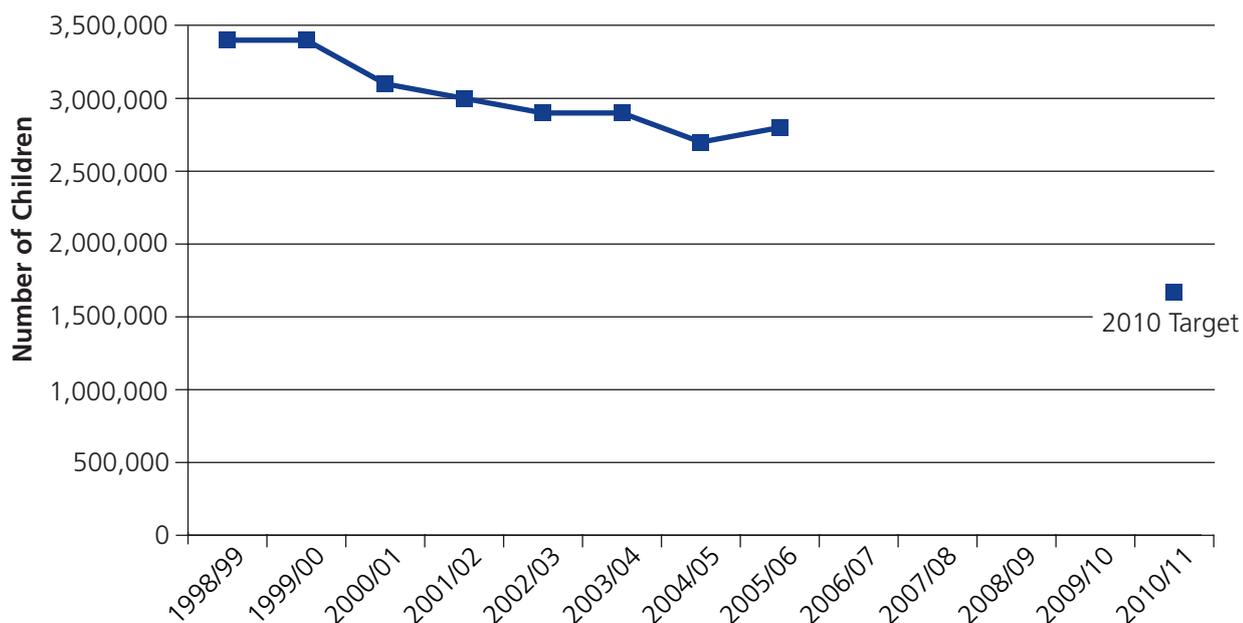
*All the young people in 2006 are going to be adults in 2020 and they are going to be the future, so you don't want them being how they are now.*

## Progress so far and the challenges ahead

Our success to date in arresting and reversing the long-term trend of rising child poverty is widely recognised and welcomed by commentators. In the wide-ranging report *What will it take to end child poverty? Firing on all cylinders* published by the Joseph Rowntree Foundation, the authors describe the fall in child poverty as ‘a historic reversal of a trend in the other direction over the previous 20 years. It is particularly significant that relative poverty fell at a time when average incomes, and hence the threshold at which poverty is defined, were rising rapidly.’<sup>7</sup> Between 1998/99 and 2005/06, the number of children in relative low-income households has fallen by 600,000 (before housing costs – see Figure 2).

The United Kingdom remains close to the European average on child poverty instead of bottom of the list as we were in 1997, and we have made the biggest improvement of any European Union country over this period.

**Figure 2: Number of children in poverty 1998/99 to 2005/06**



Note: Relative low income is defined as below 60 per cent median income before housing costs, using OECD equivalisation.

However, it is clear that, the 2010 target to halve child poverty is extremely challenging. The remainder of this document sets out how DWP plans to maximise its contribution to meet the Government's important and challenging targets.

### **What children think we need to do**

As part of our Child Poverty Matters consultation we asked a group of children from across the UK for their views on what more DWP should do. Some of their responses are set out below.

*It should be aimed at adults – adults should have better chances to get training and better jobs so that they can then have the right income to help their children get along in life and have a good education and a chance in life.*

*The government should push people to do their best all the time, especially in school. In our area we have one of the highest rates of teenage pregnancy which causes children to be born before the parents can keep up so they fall into a whirlwind of money problems.*

*Boosting child benefits, but instead of giving cash giving vouchers that can only be spent in certain stores so that the parents can't spend it on drugs and other things instead.*

*Training for work and funding for stuff that they need, like school stuff, transport, or projects that they'd like to start.*

*Better education on how to get a job and manage your own household and how to fill in forms.*

*More job opportunities for people so people can find a job that they want to do and can work their way out of poverty.*

*More training and apprenticeship schemes.*

*Educating people on how to get themselves out of poverty.*

Policies to increase parental employment will continue to sit at the heart of DWP's child poverty strategy. Work is the best route out of poverty for most parents and their children. This is not only because children in families where parents are in work are much less likely to be poor in income terms, although this is of course the case. It is also because paid employment offers the most sustainable route out of poverty for the longer term; because work is good for the physical and psychological health of parents and hence of their children; and because children who grow up in workless households are themselves much more likely to be poor in adulthood.



So, parental employment is central to reducing child poverty over the longer term. Much has been achieved. A combination of successful macroeconomic and labour market policies – especially the New Deal for Lone Parents programme – targeted tax and benefits policies designed to improve work incentives without punishing those on benefits and our investment in childcare have made a major difference. Between 1978 and 1992, the lone parent employment rate fell by over 6 percentage points to 40.7 per cent – a damaging and seemingly inexorable social trend. But over the last decade the employment rate has risen steadily, to 56.5 per cent in 2006, and there are now over a million lone parents in work, 318,000 more than in 1997.

However, major challenges remain.

- we are some way off our target of a 70 per cent employment rate for lone parents;
- success in getting lone parents into work is not always matched by success in keeping them there;
- although couple employment rates are high overall, there are specific challenges – particularly for certain areas and ethnic groups;
- for many households, especially single-earner couples, low-paid work is not enough to lift them out of poverty. Around half of poor households have at least one parent in work.

If we are to make further inroads into arresting child poverty we need to build on our success to date, maintaining and expanding those elements of our policies that have been successful while exploring new ideas and delivering new solutions. Taken together, the Harker and Freud reports suggest that action is required in three main areas:

- building support through increased rights and responsibilities for lone parents;
- helping people to stay in work and progress in employment; and
- developing a family focus in our work with parents.

## 2. Building support through rights and responsibilities

### Helping lone parents get back to work

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Children living in a lone parent household are almost twice as likely to be living in poverty as those living in a couple household and make up 40 per cent of all children in poverty. This is despite the substantial increases we have seen in the lone parent employment rate over the last decade.

As stated in a report for the Joseph Rowntree Foundation, 'For lone parents the employment gains have been truly staggering', with the number in work rising from 45.3 per cent in 1997 to 56 per cent in 2005. Around 60 per cent of this gain has been achieved since the major Welfare Reform in 1999.<sup>8</sup>

The National Minimum Wage and tax credits have made sure that work pays and the New Deal for Lone Parents (NDLP) has been very successful in helping lone parents achieve job readiness. The ten year childcare strategy and the introduction of family-friendly policies in the workplace have benefited all families.

Our strategy to date has been based on:

- active labour market policies that transform a latent desire for work into more concrete action to help lone parents realise their employment aspirations and progress once in work. Mandatory work focused interviews (WFIs) and NDLP have helped 483,000 lone parents to find jobs;
- improving incentives to work through tax credits/Housing Benefit and measures to smooth the transition into work;
- improving the availability of flexible and affordable childcare that meets lone parents' needs; and
- changing hearts and minds through changing the culture of clients, advisers, employers and the general public towards independence and work rather than benefits and dependence.

At the heart of our labour market policies has been the belief that while it is right for government to provide the support that many lone parents need to find employment, in return they have a responsibility to engage in a process that will bring them closer to the labour market and ultimately into work.

Evaluation has provided a wide body of evidence<sup>9</sup> to show that mandatory WFIs are having a positive impact – in terms both of moving lone parents on to NDLP and for the positive

responses of lone parents who have experienced it. We know that NLDP significantly increases the employment prospects of lone parents who choose to participate.<sup>10</sup>

Building on the evidence we have from the evaluation of NDLP, we are investigating ways of building on what we have achieved, including pilots which test new approaches to help lone parents make the transition into work.

## New Deal Plus for Lone Parents

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The New Deal Plus for Lone Parents pilots started in five Jobcentre Plus districts in April 2005 and were extended to a further two in the Devolved Administrations in October 2006. This extension increased the coverage of the pilot from approximately 9 per cent of the lone parent client group to 10–11 per cent.

The pilots have been developed using both UK and international evaluation evidence that suggests that integrating the strands within our current strategy would increase progress towards our target to increase the lone parent employment rate by 2010.

New Deal Plus for Lone Parents, therefore, offers a comprehensive package of measures based around provision available nationally through NDLP, a core set of pilots and a range of additional measures that we believe will complement the NDLP and WFI models. All of this adds up to a single package offering:

- a guarantee about a clear gain from work (In-Work Credit, tax credits), and some protection when work breaks down (In Work Emergencies Fund);
- a guarantee of support in finding appropriate childcare (brokered by Jobcentre Plus childcare partnership managers) and, in some cases, additional financial support for childcare; and
- a guarantee of the ongoing help of professional, well-trained and properly supported advisers (more adviser contact outside mandatory WFIs, more training, support and tools for lone parent personal advisers).

The In-Work Credit has been a particularly popular part of the package. It is currently being piloted and is available to around 45 per cent of the lone parent population. Lone parents who move into work receive a weekly payment of £40 for the first 12 months in work. Those who have received the In-Work Credit felt it played an important role in supporting their transition to work, and it was seen as an important part of the overall offer. The credit was considered to be most useful at the outset of employment, covering up-front costs such as new clothes and travel, and also helping those making the transition from fortnightly benefits to a monthly salary.

The extension of the in-work credit to 2008 in the current pilot areas was announced in Budget 07. This will enable lone parents to continue to benefit from this additional support on transition

to work. In addition the increased payment of £60 in London will provide additional assistance in the capital to reflect higher costs and poorer work incentives for lone parents.

It is crucial that in addition to helping lone parents into work we help them to remain in employment. For this reason we are considering restructuring the In Work Credit to focus on retention as well as supporting the transition into work. Weekly payments would be paid for a fixed period followed by lump sum payments at intervals. Payment of the lump sum elements would be conditional on the parent attending a series of retention interviews at which they would be able to discuss any issues they have in staying in work such as childcare arrangements.

New Deal Plus was originally scheduled to end in March 2008. However, it is clear that many of the elements of New Deal Plus are effective, popular and successful. We are therefore extending the pilots to March 2011 so that we can continue to learn what works. Moreover, we will, as described below, extend New Deal Plus to all of London; and offer elements of the New Deal Plus package to all parents on benefit, not just lone parents. Going forward, as we build our evidence base we will consider how we can, as resources allow, roll-out the successful elements nationally.

## Developing Support for Lone Parents

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At present, lone parents attend regular WFIs where they receive advice on the support available to help them find work and deal with the transition from benefits to a job. In our Green Paper *A new deal for welfare: Empowering people to work*, we set out plans to introduce six-monthly WFIs for all lone parents as well as, gradually, quarterly interviews for those whose youngest child is aged 11 or above.

The Harker report maintained that if a strong package of support was in place for lone parents, including guaranteed access to affordable childcare and work that fitted with family commitments, there would be grounds for 'strengthening lone parents' responsibility to look for work as the next logical next step'. This is in line with the conclusions of an Organisation for Economic Co-operation and Development (OECD) report which stated that once 'a comprehensive childcare and employment support system has been put into place, then it is reasonable to oblige clients to make use of the opportunities a rolled-out support system offers them'.

David Freud's review of the Welfare to Work policy, *Reducing dependency, increasing opportunity: options for the future of welfare to work*, highlighted the benefits of work for lone parents including increased confidence and development of social networks as well as a route out of poverty. The review pointed out that in the UK we demand much less of lone parents when it comes to taking steps to look for work than other leading OECD countries.

Lone parents in the UK, in particular lone mothers, are far less likely to be working than partnered mothers. Our current support for lone parents, regular WFIs and NDLP, has been a demonstrable success but the employment rate of UK lone parents continues to lag behind the rate in most other EU countries. It is clear that we need to do more.

The active support offered to Jobseeker's Allowance (JSA) customers is highly effective and has ensured we have fewer people on out-of-work benefits – JSA numbers have reduced by nearly 700,000 since 1997. We need to build on this success, enabling lone parents to benefit further from increased support in return for a more serious effort to look for work.

Families have a balance to strike between their family and working responsibilities. There has been considerable investment in programmes to provide health, family and childcare services.

In England, the ten-year childcare strategy will deliver 3,500 integrated Children's Centres by 2010. Networks of extended schools will provide wraparound childcare between 8am and 6pm for all children aged 3 to 14. This will enable parents to go out to work knowing their children are in a safe and stimulating environment.

Against the backdrop of these improvements we believe the time is right to increase the responsibilities of lone parents with older children. David Freud's report recommended:

- regular discussions between the lone parent and their adviser, increasing a frequency as the child grows up, broadly in line with our current approach;
- at an appropriate point (David Freud suggests when the youngest child is 12) the lone parent should move into an active job seeking regime with a fortnightly jobsearch review supported by training or employment support at the appropriate point (after a year of claiming JSA).

The withdrawal of eligibility for Income Support would mean the majority of this group would become eligible for Jobseekers Allowance. Others would be able to claim the appropriate benefit for their circumstances. Lone parents who have caring responsibilities for disabled children or adults, or who suffer from poor health or a disability themselves, would be provided with the appropriate support.

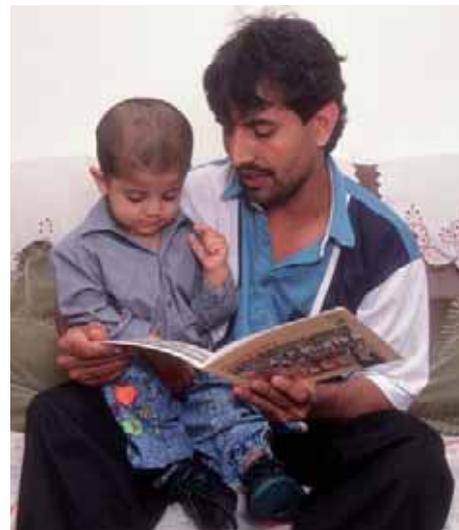
The Welfare Reform Green Paper also proposed the introduction of a Work Related Activity Premium of £20 per week for lone parents with older children on income support preparing for a return to work; we remain attracted to this in principle but we need to consider how it might best be structured in a context where such lone parents would be expected to claim Jobseekers Allowance. We think this is the right strategic direction. Moving into work is the biggest factor associated with a move out of poverty.

## Child maintenance

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Relationships end but responsibilities do not. One of these responsibilities is the payment of child maintenance, which, where a relationship ends, can be a significant source of financial support for low-income households with children.

We estimate that the payment of child maintenance, arranged either by the Child Support Agency or directly between parents, currently lifts 100,000 children out of poverty. But we could do much more. There are around 2.5 million families who could potentially benefit from child maintenance, but only around one in three do so.



The Government published a White Paper in December 2006 setting out new policy and delivery arrangements for the child maintenance system. We will put in place a simpler system that encourages and helps parents to make their own arrangements for child maintenance and that prioritises the needs of children.

As part of these reforms, the Government will, by the end of 2008, ensure that all parents with care can benefit from the £10 a week benefit disregard where maintenance is being paid, by extending this to cases on the original child maintenance scheme. We estimate that around 40,000 parents and 55,000 children could benefit from this change.

From 2010/11, the Government will significantly increase the amount of maintenance that all parents with care on benefits can keep before it affects the level of benefits they receive, putting more money in the pockets of poor parents.

## 3. Job retention and progression

Our successful Welfare to Work policies have been at the centre of our strategy to reduce child poverty. However, helping parents into a job may not be enough for them to lift their family out of poverty if the work is low paid or part-time work only. Half of poor children live in a household where at least one parent is in work.

If we are to tackle in-work poverty, it is important that we build on our success in getting people into work by helping them to stay in work and to progress in their jobs. A key determinant of the stability of a person's employment experience and earnings potential is the skills they possess. This includes basic skills such as literacy and numeracy, language skills and generic skills such as interpersonal communications as well as formal qualifications.

## The Leitch Review of Skills

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The Leitch Review of Skills presented its final report alongside the 2006 Pre-Budget Report. The recommendations present a framework within which the long-term skills needs of the country can be addressed. DWP worked closely with the review and central to the recommendations are measures for improving the skills of those who are looking for work and those who are or may become trapped in low-paid work. Lord Leitch indicated that significant reforms are needed to ensure that employment and skills services effectively meet the needs of individuals and employers and deliver the UK's world-class ambitions. He showed that current employment and skills services have different aims, resulting in complex delivery and an array of different agencies providing help and advice.

DWP and the Department for Education and Skills (DfES) are jointly developing a new integrated employment and skills service that will focus on measures to help deliver sustainable employment and career progression for individuals. The new service will ensure that all adults, including those in employment, will be able to access careers advice and that workless individuals will receive the intensive and tailored support they need to break the cycle of worklessness.

The review recommends:

- a new programme to screen and assess all claimants for basic skills needs, building on the current system which screens job seekers six months into a claim and others at WFI throughout the period of their claim;
- help to improve basic skills alongside employability skills training and jobsearch, for those whose skills levels present a significant barrier to work. Customers with language needs will be actively encouraged to take up voluntary training and this activity will be reflected in the steps that they are expected to take in their Jobseeker's Agreement (JSAg);
- improved support for those cycling between work and benefits, including a full skills health-check;
- a new universal adult careers service providing labour-market-focused advice for all adults in and out of work;
- a new integrated objective for employment and skills services of sustainable employment and progression;
- new Jobseeker's Allowance claimants with basic skills needs should be referred to training when they have found work. Pre-appointment advice will link with in-work support, e.g. Train to Gain, to make this happen.

Together these measures would result in an integrated system resembling the Work First Plus approach recommended in the Harker Report. The Government has welcomed the review. We are working with colleagues in HM Treasury, DfES and the Devolved Administrations to consider the recommendations and agree next steps.

## The Employment Retention and Advancement pilot

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The Employment Retention and Advancement (ERA) pilot was introduced in October 2003. It offers post-employment services to three groups: New Deal for Lone Parents (NDLP) participants, lone parents working between 16 and 29 hours per week and claiming Working Tax Credit (WTC); and New Deal 25 Plus (ND25+) participants.

ERA aims to help people into paid jobs, encouraging them to work full time and advance to more secure and better paid positions. The programme offers a suite of financial incentives, including a retention bonus of £400 for those working 30+ hours per week for 13 weeks in a 17-week period, with customers eligible for up to six such bonuses. Those who move on to work of 16+ hours per week have access to an emergency discretion fund, training fees of up to £1,000 and a training bonus of up to £1,000. The financial incentives are combined with in-work advisory support delivered by an advancement support adviser (ASA) for up to 33 months. The ASA works with each individual to help them remain in work to avoid some of the early pitfalls that can cause new jobs to be short-lived, and to move on in their jobs by advancing to positions offering greater job security, and better pay and conditions.

An impact report looking at the implementation and early effects of ERA was published in February 2007. The early results are promising, one year on from entering the programme, NDLP customers on ERA earned substantially more. This was largely attributable to ERA encouraging movement from part-time to full-time work. Among the WTC lone parent group there was also evidence of a shift from part time to full time (a 10 percentage points difference between the ERA WTC group and their control group counterparts); however, this was not accompanied by a significant increase in earnings.

ERA appears to have had an impact on encouraging both the NDLP and WTC groups to participate in training, either inside or outside of work. Overall, 45 per cent of the NDLP ERA group undertook some education or training, with a higher proportion of the ERA group combining work and training (21 per cent) than their control group counterparts (a 5 percentage points difference). A higher proportion of WTC ERA customers participated in education or training while in work (58 per cent) than their control group counterparts (a 14 percentage points difference).

The programme for evaluation is extensive and is still underway. We will continue to consider how we can best use the lessons learned from the pilot in order to help lone parents retain and advance in work.



## 4. A family focus for employment programmes

The New Deal for Lone Parents, described above, has been widely recognised as a success. As highlighted in the Harker Report, this is partly because the support it offers has taken into account both the individuals' job-seeking and parenting needs.

However, parents on other benefits do not automatically get offered the support they may need to make the move into work, particularly with regard to childcare advice.

## Couple Families

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The number of children living in workless households in spring 2006 was 1.69 million; a fall of nearly 440,000 since spring 1997. Of this 1.69 million, 1.15 million live in households headed by a lone parent and 0.52 million in a couple household.<sup>11</sup> We know that 64 per cent of children living in a workless household are in poverty while 17 per cent of children in couple families with one full-time worker are in poverty.

The fall in the number of children living in workless households has been driven primarily by the success of our lone parent policies. Our policies for the partners of benefit claimants have been less successful. But we need to make progress with couple families as well if we are to maximise the contribution that DWP makes on child poverty.

The New Deal for Partners (NDP) was introduced in April 1999. From April 2004, NDP was enhanced to offer partners participating in the programme the same level of support offered to lone parents through NDLP. NDP aims to help and encourage partners of benefit recipients to improve their job readiness and employment opportunities and gain independence through working. This is achieved through providing access to various elements of provision made available through a personal adviser. Eligible partners can choose to join NDP at any time through self-referral but greatest take-up was expected in Jobcentre Plus offices where partners have to attend one mandatory WFI.

However, take-up of NDP has been disappointing. The Harker Report suggests that our interventions should be more holistic and take account of the household situation rather than concentrating on each individual's circumstances.

Those partners of Jobseekers Allowance recipients who have children are not required to meet the same requirements as those without children; they do not currently take part in a joint claim. However we know that this group may be closer to the labour market than the partners of those on other benefits and may have employment aspirations. For this group we plan to introduce mandatory Work Focused Interviews (WFIs) every six months. These interviews will allow personal advisers the opportunity to discuss employment and set out the help and support available should the attendee be considering returning to work.

As discussed in the lone parents section, NDLP Plus pilot, provides a comprehensive package of support for lone parents who want to return to work. In those areas piloting NDLP Plus we will offer the effective elements of this support to couples. This will allow us to build on our knowledge of what works for this group.

## Delivering for children

The Harker Report made a number of important recommendations about the delivery of our employment programmes. Central was the observation that if we are to deliver family-focused employment programmes, it is essential that Jobcentre Plus has the information it needs to do this and that their target structure reflects our commitment to lifting children out of poverty.

We accept these recommendations, have implemented some and have commenced work on implementing others.

- we have introduced a 'front-end' marker on to Jobcentre Plus's labour market system to identify parents;
- we have provided guidance to our personal advisers stating that while 'work first' remains our approach, moving families out of poverty is the outcome we want. They should discuss employment opportunities as part of a process which will ultimately allow job seekers to build a stable future for their families;
- we will start recording the childcare needs and preferences of all parents.

To deliver the maximum impact on child poverty we will change the Jobcentre Plus target structure:

- to reflect parental employment as a priority (in April 2007): and for the future, will be developed;
- to reward sustained employment and progression;
- to measure the take-up of formal childcare.

## Dual earning families

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As highlighted in the Harker Report one of the causes of in-work poverty among couple families is that many of these families are relying on the wages of a single low paid earner. In fact, in-work poverty is primarily a problem for couple families rather than lone parent families: 43 per cent of poor children live in a couple household where at least one person is in work; only 7 per cent of poor children live in a working lone parent household.

While we have successful policies for moving benefit customers into work, those who have a working partner do not receive benefits. As such, they are not DWP customers and are not automatically offered support if they want to enter employment. We know that many of these potential second earners, the majority of whom are women, face significant barriers to work – many have caring responsibilities beyond looking after their children and a high proportion do

not have recent employment experience. This group is not in receipt of out of work benefits and is not and will not be compelled to engage in any work-focused activity.

However, there is an aspiration to work among this group. One in five is looking for work and around a half intend to look for work in the future.<sup>12</sup> It is a legitimate expectation of all families that they should be in control of the choices they make in balancing work and family life. We want to ensure that poor couples have the same ability to balance these responsibilities and fulfil their work aspirations as better-off couples.

We are committed to finding new ways to increase the proportion of partners moving into work. More research is needed to better understand what the best way might be to engage with potential second earners and what elements of our Welfare to Work policies might be most successful in supporting a return to work or engagement in work-focused activity.

The Partners' Outreach pilot for second earners started in six cities in early 2007. The primary target group for this project is Bangladeshi and Pakistani partners (although not necessarily with children) of people in work and on a low income. As set out above families in these groups are at extremely high risk of poverty. However, the pilot will include couples outside these ethnic groups and we intend to evaluate outcomes for all participants. Those who take part in the programme will receive help in jobsearch, in finding suitable childcare and in dealing with language and skills barriers.

Findings from this pilot will give us a greater insight to the barriers that potential second earners face, their demand for employment support and how best we can provide it.

## Childcare

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There is clear and strong evidence, both internationally and from the United Kingdom, on the positive impact of formal childcare on female labour market participation and child outcomes. And disadvantaged children in particular benefit from high quality pre-school interventions. So the Government's Ten Year Childcare Strategy has the potential to help with the achievement of the child poverty target through enabling parents to work, lifting families out of poverty and, in the long term, help break inter-generational cycles of deprivation.

The Government has invested over £21 billion on early years and childcare services since 1997 as part of an unprecedented expansion of provision for young children and families. The stock of registered childcare stands at over 1.29 million places (almost double the 1997 level). In 1997, there was a registered childcare place for one in eight children under the age of eight, whereas there is now a registered place for one in four. By 2010, there will be a childcare place for all children aged between 3 and 14, between the hours of 8am to 6pm each weekday.

The Childcare Act 2006 and the Work and Families Act 2006 together fulfil the commitments set out by the Government in its ten year strategy for childcare – 'Choice for parents, the best start for children', published in December 2004.<sup>13</sup>

## The main elements of the childcare strategy in England

- Every family should have easy access to integrated services through a Sure Start Children's Centre in their local community, including early learning, childcare, health and family support, information and other services for parents and young children. Over 1,000 Children's Centres have been established thus far, offering services to more than 800,000 children and their families. By 2010 there will be 3,500 centres, one for every community;
- there should be 12.5 hours of free and more flexible early education and care for three- and four-year-olds. In 2006, the current free entitlement of 12.5 hours per week was extended in private, voluntary and independent settings from 33 to 38 weeks of the year;
- from 2007, it will start to be extended to 15 hours per week for all three- and four-year-olds and the flexibility of free provision will be increased; for example, parents will be able to use the free entitlement across a minimum of three days. This is being rolled out now through pathfinders in 20 local authority areas. The strategy also set out a longer-term goal of 20 hours a week of free, high-quality early learning for 38 weeks for all three- and four-year-olds;
- by 2010, all primary schools will provide parents of children aged 5 to 11 with access to childcare and a varied menu of study support activities from 8am to 6pm, 5 days a week, 48 weeks a year where there is demand. By 2008, half of all primary schools will be making this offer, either themselves or in partnership with the private or voluntary sectors. Where provision is not on the school site, safe transport arrangements will be in place;
- by 2010, all secondary schools will provide access to a varied menu of activities and a safe place to be from 8am to 6pm during term time and provide some holiday provision where there is sufficient local demand. By 2008, at least a third of secondary schools will be making this offer, either themselves, or in partnership with the private or voluntary sectors;
- while access to high-quality childcare is vital, some families may have to cope with other difficult issues in their lives such as children's mental health or behavioural problems. The multi-agency approach of Sure Start Children's Centres and extended schools will help to address these wider needs of families. By providing support to help them to take control of, and deal with, these issues, we can help them become confident about moving on in their lives.

This is covered in more detail in the Department for Education and Skills (DfES) document *Every Parent Matters*, published on 15 March 2007.

## The Childcare Act 2006

The Act provides for:

- new duties on local authorities to ensure there is sufficient childcare in their area; and to improve the well-being of children and close the gap between disadvantaged groups and

the rest, by ensuring early years services are integrated and accessible. Jobcentre Plus are designated 'partners' in delivering these duties. They will have an important role in helping to assess the childcare needs of their clients and ensuring these are met. The sufficiency duty applies in both England and Wales; and

- a reformed and simplified regulatory regime for early years and childcare, to reduce bureaucracy and raise quality.

## Childcare in Scotland and Wales

In Scotland, the Scottish Executive has a childcare strategy that aims to increase the supply of affordable, high-quality childcare for children aged up to 14 years. Local authorities and local childcare partnerships are responsible for co-ordinating the supply of childcare to meet demand, and funding for the childcare strategy has risen from £29.75 million in 2004/05 to over £44 million in 2006/07 to reflect this.

Local authorities in Wales, unlike those in Scotland, are subject to the sufficiency duty set out in the Childcare Act. However, as in Scotland, childcare policy has been devolved. Under the Cymorth programme, the Welsh Assembly Government is providing a network of targeted support for children and young people within a framework of universal provision. Funding has increased to over £54 million in 2006/07. All local authorities in Wales have established integrated Children's Centres, bringing together early education, childcare, play, training and, usually, family support and health.

## Moving forward

We need to ensure that childcare meets the needs of parents seeking to move from welfare into work. The Childcare Act requires local authorities to secure sufficient childcare for working parents. Jobcentre Plus will work closely with local authorities to ensure that we gather better intelligence about the childcare needs of parents, particularly the needs of parents in receipt of benefits and from disadvantaged groups. This information will enable local authorities to review the support they provide to parents to ensure that it remains relevant to their needs.

DWP and DfES share a PSA target to increase the take-up of formal childcare by low income working families and, from April 2007, DWP will monitor the take-up of the childcare element of the working tax credit (as a proxy for this PSA target). Jobcentre Plus has an important role in encouraging the take-up of the formal childcare and this new data will significantly raise the profile of this objective for Jobcentre Plus staff and support an improved focus.

At present, Jobcentre Plus staff routinely discuss childcare needs only with lone parents. In future, all parents (mothers and fathers) on Welfare to Work programmes will be asked about their childcare needs and the information recorded for case management purposes. We will also extend advice about the Children's Information Service (CIS) to all parents. We will investigate the feasibility of Jobcentre Plus staff making appointments for parents with the CIS where there is demand. From April 2008, local authorities will be required to run a more

comprehensive information service for parents, including brokerage for those parents experiencing difficulties in finding the childcare they need, and we will ensure that parents are aware of this new service. We will also, subject to the results of a pilot into effectiveness, look to extend the offer of childcare tasters to all parents.

Parents trying to return to the labour market can often find their efforts are hampered by a lack of relevant skills. And their attempt to remedy this by accessing retraining opportunities can in turn be hampered by lack of funds to access childcare. To break this cycle the Chancellor announced in the Budget an offer of a free childcare place for up to 50,000 workless parents to enable them to undertake training in preparation for a return to work.

## Flexible working

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The Government is committed to helping working parents. Since April 2003, parents of children aged under 6 or disabled children under 18 have had the right to apply to work flexibly and their employers have a duty to consider these requests seriously.

### **The Work and Families Act 2006**

The Act contains legislation that will include:

- extended maternity and adoption pay increasing from six to nine months from April 2007, towards the goal of a year's paid leave by the end of this Parliament;
- a power to introduce new paternity leave, enabling fathers to benefit from leave and statutory pay if the mother returns to work after six months but before the end of her maternity leave period; and
- an extended right to request flexible working to carers of adults from April 2007.

The Harker Report recommended that we should start piloting ways of brokering flexible working with employers and that where vacancies have flexible arrangements this should be clearly stated on the vacancy note. Many good employers recognise the business case for flexible working and, under legislation introduced by this Government, have a duty to consider requests for such arrangements.

We will ensure that where flexible working opportunities are available, Jobcentre Plus adverts clearly state this and that personal advisers inform customers about their right to request flexible working.

## Child poverty in London

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Despite the significant progress we have made nationally, child poverty remains a particular problem in London, especially in inner London. A quarter of children in London are growing up in poverty, and a quarter live in a household where no adults are in work. In their important report *Tackling child poverty in London: implications of demographic and economic change*, the London Child Poverty Commission set out some of the primary reasons why child poverty has remained high in London:

- the relatively high levels of child poverty in London are related to both population composition and employment patterns among parents;
- while the London population includes more of those groups of families with a higher poverty risk, the risk of poverty for those groups is no higher in London than elsewhere;
- there is a low availability of and/or participation in part-time work in London. Part-time work is an important way for families to combine work with caring responsibilities and for lone parents it can often be enough to lift them and their children out of poverty. In fact, the percentage of lone parents in part-time employment is much lower in London than elsewhere, while full-time employment is at approximately similar levels. Therefore, employment levels are low among London lone parents;
- since the majority of two-earner couples with children have one full-time and one part-time worker, the London shortfall in parental employment, and hence higher poverty rates, may be explained partly by the low probability of parents taking part-time jobs; and
- published alongside the 2007 Budget, the report *Employment opportunity for all: tackling worklessness in London* presented further analysis on the London labour market, highlighting in particular the persistent employment disadvantage suffered by parents living in London and inner London residents with low skills. It recommended that, in line with the findings of the Harker report, policies should have a clearer focus on the employment needs of parents in London, including efforts to improve further the functioning of the childcare market.

Budget 2007 set out a number of specific measures which will help take us forward in our aim to ensure employment opportunities for all in London.

### A higher rate of In-Work Credit in London

As noted above, lone parent employment, and parental employment more widely, is significantly lower in London. This is likely in part to reflect weaker work incentives for London parents, as a result of higher childcare and housing costs. The Chancellor therefore announced in Budget 2007 that IWC in London would be increased from £40 per week to £60, strengthening work incentives for lone parents.

## Providing more ESOL training in London

The Harker report recommended more basic skill training opportunities in London. The ability to speak English is an important step towards being able to find work. We know that:

- the employment rate (excluding students) of Londoners with English as a second language is 56%. This compares to 78% for those with English as their first language;
- research suggests fluency in English improves the employment chances of ethnic minority immigrants by 15-20%;
- there is a large stock of unmet ESOL needs in London.

In the 2007 Budget the Chancellor announced that the government will trial short, work focused approaches to provide training in English as a second language (ESOL) in the London Cities Strategy pathfinders, discussed in the next section, for parents on benefits or tax credits.

The potential return on ESOL is significant. Some people have highly developed work skills but are not able to access their occupation due to English needs.

## Extending employment support to all of London's Parents

As discussed in couple families section, we will expand the New Deal Plus for Lone Parents pilot to cover couple families in the current pilot areas. However, because worklessness is particularly severe in London, we will extend this offer to all parents in London. Across the capital all parents will be eligible for support in finding appropriate childcare, employment advice and support from our personal advisors.

## Help with up-front childcare costs for lone parents

Those lone parents returning to work often have to pay childcare costs in advance of getting first pay cheque. We know that this presents a particular problem in London where the level of their upfront registration costs, deposits and advance payments can act as a barrier to work. To help lone parents move into work we will provide up front financial support for childcare for those who need this help the most.

## Effective delivery through successful partnerships

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DWP cannot deliver the Government's child poverty ambitions on its own. Our strategy will succeed only if our efforts are effectively co-ordinated with the efforts of others. Ensuring that services work well for parents and children requires a range of strategic relationships across Whitehall and with the Devolved Administrations. The Public Service Agreement (PSA) targets we share with HM Treasury and DfES exemplify this shared aim. These targets are underpinned

by a strong joint agenda with these Departments and other key partners. There are several areas in which government departments are working together to deliver on child poverty issues.

The Child Poverty Accord sets out how DWP and its agencies work with HM Treasury, DfES, HM Revenue and Customs and local authorities in England, via the Local Government Association, to combat child poverty. This partnership promotes the role of local authorities in delivering outcomes that support our child poverty objectives. Tangible outcomes include increasing the take-up of tax credits and benefits, improving employment rates in the most disadvantaged areas, narrowing inequalities of opportunities and outcomes for poor children and improving local services for children.

Jobcentre Plus works closely with other delivery partners to achieve effective delivery of complementary services for children as it supports parents into work. As mentioned previously, Jobcentre Plus is a key stakeholder in local strategic partnerships providing co-ordinated focus across childcare, child poverty and the Welfare to Work programme. Jobcentre Plus also plays a vital co-ordinating role in the use of available funding streams, such as the European Social Fund, to support innovation and the development of integrated Welfare to Work services tailored to the needs of the local community.

Many successful partnerships have already been established in pursuit of our poverty goals and much has already been achieved, but more must be done if we are to meet our ambitious targets.

The highest levels of poverty and deprivation in the UK tend to be concentrated in inner-city areas. For example, in inner London child poverty rates are almost double the national average. In response, DWP is piloting the **Cities Strategy** model in 15 cities across the UK. Key stakeholders from the public, private and voluntary sectors will come together to form consortia to deliver a significant improvement in the working-age employment rate, particularly for disadvantaged groups such as benefit claimants, lone parents, disabled people and those with a health condition, older people and people from minority ethnic groups. The successful areas granted Cities Strategy pathfinder status submitted plans to pool resources and expertise in order to tackle the specific problems that have stopped people from getting into work in their area. The Government is providing £5 million to get the plans off the ground and areas that are successful in meeting targets agreed with government will be eligible for additional funding that can be re-invested into local services and priorities.

The Cities Strategy will enable us to develop a new partnership between central government and the people who are delivering services on the ground. The pilots will test whether local areas are able to deliver more if they combine their efforts behind shared priorities and are given more freedom to try new ideas and tailor services to local needs.

Through the strategy we want to ensure that:

- those who face particular problems in returning to work have access to relevant, personalised help and support;

- areas have the flexibility they need to develop solutions to local problems;
- local agencies are able to join up provision more closely, reducing unnecessary duplication or complexity; and
- support is tailored to help individuals meet the recruitment needs of employers and ensure there are effective channels to link the jobs being created and those who are furthest from the labour market.

It is vital that we continue to build on the successful partnerships between central government and the **Devolved Administrations**. The Scottish Executive is committed to eradicating child poverty and is taking forward a variety of programmes and initiatives aimed at lifting children out of poverty and ensuring that they have the opportunity to fulfil their potential. Important initiatives in Scotland include the Executive's Employability Framework – Workforce Plus, its Childcare Strategy, Sure Start Scotland and Working for Families, which aims to help parents in deprived areas and groups access education, training and employment where childcare is a barrier.

In February 2005 the Welsh Assembly Government set out how it would play a full and active part in meeting the child poverty targets in its child poverty strategy, 'A Fair Future For Our Children', followed by an implementation plan that set out more detailed proposals.

## 5. Achieving an 80 per cent employment rate

Our strategy for reducing child poverty takes place against a wider background of reforms of the Welfare to Work system. In January 2006 we published *A new deal for welfare: Empowering people to work*,<sup>14</sup> setting out our proposals for achieving an 80 per cent employment rate for people of working age. Achieving this rate will ensure that the opportunity to work has truly been delivered to everyone in our society, ending social exclusion and delivering financial security in work and in retirement.

Our proposals build upon the success of our Welfare to Work policies – since 1997 we have supported 2.5 million more people into employment, taking employment levels to record highs. This success has been built upon a foundation of clear rights and responsibilities; the right to financial and return to work support alongside the claimant's responsibility to engage fully to improve their own life chances and to seek employment. We intend to extend this approach to all claimants and ensure that help is concentrated in areas that need it most and targeted at all individuals (and groups) who need it most.

## Incapacity benefits reform

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There is a clear link between benefit dependency and hardship. As many as half of the most severe pockets of deprivation in Britain are contained within the 100 parliamentary constituencies that have the largest numbers of people claiming incapacity benefits (IB).

Only through an active, supportive welfare state can we achieve the progressive goal of employment opportunity for all.

We have said that, from 2008, we will replace the current system of Incapacity Benefits with a new Employment and Support Allowance that will bring rights, responsibilities and opportunities to people who need it most by asking them to engage with us and work towards their ambitions.

We know from our experience with the New Deals and Jobseeker's Allowance that successful support is founded upon complementary benefit structures. Benefits need to provide the incentives to engage and to move towards employment, while safeguarding against the risks of leaving benefit dependence for work.

To help achieve this we have set ourselves the aspiration of a million fewer people on IB in a decade. A new active benefit working in conjunction with our world-class Pathways to Work programme is the best way to do this. Around one in six IB customers have a dependent child. We estimate that around 200,000 children with at least one parent claiming IBs live in poverty. Meeting our aspiration to reduce the caseload by a million could result in about 100,000 fewer children living in poverty.

As announced, the new Employment and Support Allowance will be rolled out to all new claimants from 2008. Among existing IB claimants, it is right that as we plan migration to the new benefit we prioritise those we think we can help the most; this will include those most recent to the benefit and, importantly, those with dependent children.

We are determined not to write anyone off, while recognising that there are significant numbers of people on IB with a range of severe health conditions and disabilities who need our support. Meanwhile, we will identify those whom we would not expect to engage in work and offer them the best support we can through the Employment and Support Allowance.



## 6. Disabled children

Disabled children are at risk of being poor because of the barriers to employment faced by their parents, the extra costs they may face and the impact that social care and health services can have on their life chances. There is evidence that the availability and cost of suitable childcare presents a barrier to employment. Suitable childcare for disabled children often costs more and is required for longer, and transport costs often raise the total cost further. Other barriers to employment are directly related to the caring responsibilities; these include inflexible medical appointments and difficulties in finding employment that can be combined with caring.

Any extra costs faced by families with disabled children will, to an extent, be captured by the material deprivation tier of our 2010 Child Poverty Target. While the relative income tier measures total household income, the material deprivation tier looks at both relative low income and deprivation based on access to a set of goods and services prevalent in society as a whole. We plan to set out details of the material deprivation tier later this year.

We also want to ensure that every parent of a disabled child or young person has access to, and is aware of, the financial support available to contribute towards extra cost of disability. Principal among these is Disability Living Allowance, which provides a non-contributory, non-income-related and tax-free contribution towards the disability-related extra costs of severely disabled people, including children, and is an important source of additional income for families.



## 7. Conclusion

Through helping more people into work, increasing financial support for children and delivering improved services for families, significant progress has been made in tackling child poverty. However, we know that if we are to meet our ambitious targets to halve child poverty by 2010 and eradicate it by 2020, much more needs to be done.

The Department for Work and Pensions has a very important role to play in delivering on child poverty. Work is the best way out of poverty and this document sets out measures that will help us build on our success at getting people into work. We know, though, that just getting people into a job is not enough; we need to help them stay in work and progress in employment to ensure a secure future for themselves and their children. We are also aware that this is not a task for Government alone. We need to work in partnership with local authorities, the private and voluntary sectors, with civil society more widely and, most important of all, with parents themselves.

This is a strategy, not a blueprint for delivery. We want to hear your views on what would make this strategy a success for parents and, most of all, for children.

## Notes

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Department for Work and Pensions  
27 March 2007

[www.dwp.gov.uk](http://www.dwp.gov.uk)

ISBN: 978-1-84695-809-0

ISBN 978-0-10-170672-8



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